Financial and Sustainable Development Annual Report

Registration Document 2017

SUSTAINABILITY

A clear vision for the future.

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

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Sommaire

Annual Financial Report elements are clearly identified in this table of contents with the sign RFA
** This constitutes the board of director's report.

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Registration document

Annual financial and sustainable development report

2017

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 16, 2018, in compliance with article 212-13 of the AMF's general regulation. 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

2017 was a great year for Schneider Electric, with a return to growth in all our businesses, and in every geography. Net income, adjusted EBITA and cash flow all rose to record levels as we pursued our strategic priorities.

2017: exceptional results, and a return to growth

Schneider Electric's revenues rose to EUR24.7 billion in 2017, representing an **organic growth** of +3.2% overall, comprising +5.9% in our Industrial Automation business and +2.3% in Energy Management.

All our geographical zones grew: +6% in Asia Pacific (driven by China and India), +2% in Western Europe and North America, and +3% in the rest of the world.

In our Industrial Automation business, growth accelerated on the machine segment as well as in our discrete and hybrid plant systems. Energy Management grew on the back of an expanding residential and commercial building sector, our growing data center solution sales and synergies with automation in industry and infrastructure. Both benefitted from the growing adoption of EcoStruxure, our IoT-enabled architecture and platform. **Cross-selling** between our Energy Management and Industrial Automation businesses grew to new levels, as we systematically propose integrated solutions for energy and operations optimization to our customers.

We drove our adjusted **EBITA** to an organic growth of +9%, resulting in a record high value and a margin of 14.8%, an organic improvement of 90 basis points.

We also continued to work on our company portfolio, strengthening our focus on core businesses, with the acquisition of ASCO Power Technologies, AVEVA and IGE+XAO, and the disposal of non-core assets, such as Telvent DTN.

As a result, the Group's full-year **net profit** reached an all-time high of EUR2.15 billion (up 23% on 2016), yielding record earnings per share (EPS) at EUR3.85. This translated in a record high **free cash flow**, standing at EUR2.25 billion, confirming our progress in free cash flow conversion, once again above 100%.

We continue to return cash to our shareholders by investing c.EUR1bn through mid-2019 in share buybacks and proposing a progressive dividend of EUR2.20 per share (+8%), representing more than 50% of our net income.

We are bringing our customers integrated and digitized solutions, based on EcoStruxure, to help them navigate **2 growing trends**: "**energy transition**" – the shift towards more sustainable and more efficient power; and "**digital transformation**" – the adoption of increasingly automated and data-driven technologies.

Schneider Is On: more benefits for customers and all our stakeholders

2017 was the third year of our "**Schneider Is On**" program, which focuses on 5 key objectives – Do More, Simplify, Digitize, Innovate and Step Up – to better serve our customers and our partners.

We certainly continued to "**Do More**," with more than 100 **new products** launched in 2017, and in the process, we earned numerous international design awards.

OUR AMBITION IS TO ENSURE THAT «LIFE IS ON» FOR EVERYONE, EVERYWHERE AND AT ALL TIMES

We kept developing our field and digital services and scored mid-single digit growth in both product and service orders. Product revenues were up +4.3% organically in 2017. We incorporated **more software** into our EcoStruxure architecture and platform and accelerated our development in this field with the acquisition of IGE+XAO (a leader in design software for electrical installations), and the combination of our industrial software business and AVEVA (an engineering software developer). With AVEVA, we are creating a global leader in industrial software, with scale and relevance in key markets, and an extensive technology portfolio.

Our objective to "**Simplify**" and speed up our processes, focusing on what brings most value to customers, led to lower costs in support functions and manufacturing.

We made good progress in our drive to "**Digitize**," with a +24% increase vs. 2016 in the number of connected assets and a +36% increase vs. 2016 in the number of unique connected customers.

Under the banner of "**Innovate**", 2017 was a remarkable year for our open, interoperable EcoStruxure architecture and platform, with its growing innovation portfolio of IoT-enabled connected products, edge control and apps, analytics and services. EcoStruxure delivers enhanced value around safety, reliability, efficiency, sustainability and connectivity, which bring major improvements to buildings, data centers, industry and infrastructure.

To "**Step Up,**" Schneider Electric sharpened its focus on training, engaging employees and empowering them to contribute to our mission. Initiatives like our new Global Family Leave Policy reinforced our commitment to gender diversity and inclusion, and once again earned Schneider Electric

its place among the world's leading socially responsible companies.

Sustainability is at the heart of everything we do, and 2017 was a particularly important year for Schneider Electric. At the end of a three-year cycle in our **Planet & Society Barometer**, we met (and often exceeded) all our main planet, profit and people objectives. In addition, we were ranked fifth among global companies with the most socially responsible investment funds in our shareholder base – further recognition of our leadership in this field. We will keep up this momentum in 2018, and we have set ambitious new challenges for our 2018-2020 Planet & Society barometer in five areas: climate, circular economy, health and equity, ethics, and development.

As President of the United Nations Global Compact France, I want to reaffirm my support for the Ten Principles of the UN Global Compact, the Sustainable Development Goals and important initiatives such as the #HeForShe movement for gender equality. We will continue to promote business ethics, environmental progress, innovation and empowerment among all populations, from women and young talents working with us in the corporate world, to underprivileged communities and citizens everywhere, whose lives can be improved by our smart, energy-efficient solutions.

2018 outlook: transformation means opportunities

Looking ahead to 2018, Schneider Electric is uniquely placed to help customers meet their challenges of transformation and digitize their management of energy and automation.

The world is accelerating its transition to sustainable and efficient electricity. A shining example is electric vehicles, which in the space of a year have become a focus for the entire automotive industry. The question is no longer if, but when, electric and self-driving vehicles will become the norm.

EUR1.2 billion

in R&D investments in 2017

In a global economy marked by ongoing political uncertainty, innovation continues to drive society forward. Whether by ensuring universal access to energy, limiting our environmental footprint or bringing artificial intelligence in our customer's applications, Schneider Electric will pursue its path to inventing technologies that reshape industries, transform cities and enrich lives.

We will continue developing more products, services and software to offer integrated efficiency solutions to our customers.

Ultimately, we must remember that all progress is led by people – our employees, partners, customers and communities where we operate. Together, we pursue our transformation and development. ■

Interview with

Emmanuel Babeau

Deputy CEO in charge of finance and legal affairs

What were the main performance highlights for Schneider Electric in 2017?

We delivered a strong operational performance in 2017 with good progress on our strategic initiatives and strong execution, enabling us to reach record levels of adjusted EBITA, Net income and Free-cash-flow. Our revenues increased organically +3.2%, accelerating to +4.6% in Q4, as we delivered on our strategic initiatives to sell more products, services and software and being more selective in systems (equipment & projects). We recorded +90bps of organic improvement in our adj. EBITA margin, close to twice the initial target and our adj. EBITA margin improved to 14.8%. This performance highlighted the quality of our execution in 2017 on many levels: strong generation of industrial productivity, rapid implementation of pricing increase in an inflationary environment for raw materials, good improvement in the margin of systems and efficient cost control. This operational performance translated, despite currency headwinds, into our earnings per share growing by +24% on a reported basis and by +12% adjusted for exceptional items. Our FCF was at record level of €2.25bn and our ROCE improved by 1.2pt to 12%, benefiting from increased operational profit and improved capital efficiency.

In addition to a strong operational performance, we continued to optimize our portfolio. We completed the divestment of DTN and finalized the acquisition of Asco Power in our core Low Voltage division, a leading company of Automatic Transfer Switches. We also signed the agreement to combine our activities of Industrial Software with AVEVA, taking a majority stake in a global leader in engineering and industrial software.

What were the highlights of the performance for your offers in Energy Management and Automation?

Both our core technologies performed well in 2017 with Energy Management technologies[(1)] growing organically by c.+4%[(2)] and Industrial Automation by c.+6%. Low Voltage, our largest division in term of revenues, delivered +4.4% organic growth and improved adj. EBITA margin by c. +80bps organic. Medium Voltage division's focus was on margin improvement in 2017 and it delivered a strong c. +130bps organic improvement in adj. EBITA, which reached 10%. The division also grew revenues by c.+2% excluding the impact of selectivity initiatives. Secure Power grew by +2.1% organically and maintained its margin at good level. Industrial Automation posted a strong +5.9% organic growth and improved adjusted EBITA margin by c.+90bps organically. The performance in the second half of 2017 was notably strong with all businesses accelerating in organic topline growth and improving adj. EBITA margin by at least 1pt organically.

The Group targets an organic growth in operating profit in 2018, what are the key levers?

We recorded strong organic growth in our adj. EBITA in 2017 at +9.2%. Our priority for 2018 is to continue to deliver profitable growth as we are targeting for the year to deliver organic growth in our adj. EBITA around the high-end of the +4% to +7% bracket communicated as the average yearly objective for 2017-2019. To deliver this strong performance, the Group will use 2 levers: firstly, organic topline growth where the Group targets an organic growth between +3% and +5% and secondly, adj. EBITA margin expansion towards the upper end of the +20bps to +50bps range targeted as yearly improvement for 2017-2019.

How do you intend to drive shareholder value in the next years?

We have consistently delivered on the profitable growth and shareholder value creation roadmap we presented to investors in our investor day in late 2016. Our objective is to continue to generate a strong earnings growth through a combination of top line growth and margin expansion. With its leading position in energy management and automation, our company is well positioned to benefit in the coming years from two major global investment drivers which are energy transition and the industry of the future, using our global reach and the complementarity of our offers. Furthermore, our digital platform, EcoStruxure™, offers promising opportunities for growth, notably through the development of new applications and digital services. In addition to growth, we continue to focus on operational efficiency notably through industrial productivity, simplification and cost-efficiencies initiatives as well as continuing to improve the margin of our systems. Combined with the strong FCF generation and our solid balance sheet, this allows us to offer an attractive return to shareholder through a progressive dividend policy with no year-on-year decline, and through potential further share buybacks/ special dividend.

(1) Encompassing our low voltage, medium voltage and secure power technologies
(2) Outside selectivity initiatives and with Delixi

2017 in brief

Strategy, technologies and businesses

On February 27, Schneider Electric announced it has signed a Memorandum of Understanding (MoU) with ENGIE to explore and deploy new digital solutions for operational efficiency of renewable assets (wind and solar PV), leveraging Supervisory Control and Data Acquisition (SCADA), Historian and related application software powered by Schneider Electric's Wonderware brand. Asset management, SCADA obsolescence management, remote monitoring and diagnostics and cybersecurity in a complex ecosystem are also investigated as part of the agreement.

On March 13, Schneider Electric announced that Easergy T300, Resi9 DB60 and Avatar On have been awarded prizes by IF Design during the award ceremony that took place in Munich. They were launched in 2016 and fully comply with Schneider Electric stringent design standards in terms of reliability, ease of use and ingenuity.

On April 9, for the fifth year running, Schneider Electric is the official partner of the Paris Marathon, the iconic 42.195-kilometer race through the capital. For the 2017 race, Schneider Electric has made a firm commitment to making the marathon more environmentally friendly while also raising focus on gender equality through several innovative initiatives.

On May 23, Schneider Electric and Neoen signed a 750 MW Conext SmartGen multi-year framework agreement on three continents. The scope includes: conversion stations composed of 1500V inverters, medium voltage switchgear, transformers, and complete monitoring and control system, as well as lifecycle maintenance services.

On June 6, Schneider Electric announced it ranks No. 17 in Gartner's Supply Chain Top 25 for 2017, up one place from last year. Gartner's rankings identify supply chain leaders and highlight their best practices for heads of supply chain and strategy organizations.

On September 25-26, Schneider Electric held its marque Innovation Summit in Hong Kong. Innovation Summit Hong Kong featured the EcoStruxure™ World Premiere, unveiling the latest innovations in EcoStruxure, Schneider's IoT-enabled, plug-and-play, open architecture.

On October 20, Schneider Electric and ENGIE reached a first milestone of the power generation asset installation for the 'Sustainable Powering of Off-Grid Regions' (SPORE) microgrid. As Southeast Asia's largest hybrid microgrid, it will serve as a test and demonstration site for power generation from local renewable energy sources, providing clean cooking solutions and green mobility to remote islands and villages across the region, powered by a multifluid system integrating renewable resources like wind, sun and could embrace biomass production.

On November 6, Schneider Electric launched its first major integrated, multi-platform marketing campaign to highlight its continued leadership in digital transformation powering the digital economy. The campaign brings together world-class content partnerships with the Financial Times, Wall Street Journal and the Economist with sponsored programming from CNBC including thought leadership and content marketing outreach. The digital centric campaign includes activation through social media, viral marketing and owned media properties.

Finance

On January 24, Schneider Electric announced it has acquired the remaining 26% stake in Luminous Power Technologies for INR 9.5bn (~€130m). This stake combined with the 74% acquired in May 2011 gives the Group full ownership of Luminous Power Technologies Pvt. Ltd, a leading power back up and home electrical specialist in India.

On April 3, Schneider Electric announced it has signed an agreement for the sale of Telvent DTN to TBG AG, a private holding headquartered in Zurich, Switzerland focusing on critical business information services and high added value industrial niches. The transaction is based on an enterprise value of c.$900 million (c.€840 million). Telvent DTN is a leader in providing information services, supply chain connectivity tools and decision support solutions in agricultural, energy and environmental industries.

On July 27, Schneider Electric announced today that it has signed an agreement to acquire Asco Power Technologies, a leader in the Automatic Transfer Switch ("ATS") market for a consideration of $1,250m (c.€1,072m). The acquisition enhances Schneider Electric's EcoStruxure Power Platform in key markets and segments.

On December 12, Schneider Electric hosted a meeting at its headquarters with investors and financial analysts where the company's management team highlighted the Group's digital strategy and differentiated offers. In addition to sharing the Group's strategy on Digital, the meeting also included specific in-depth presentations covering 4 domains of EcoStruxure

Human Capital

On March 6, Schneider Electric announced the launch of a capital increase reserved for employees under its Group Employee Savings Plans (plans d'épargne salariale). This offering, which is in line with the Group's policy to develop employee shareholding, was proposed to Group employees in thirty-two countries, including France. This plan covered around 90% of the employees of the Group.

On May 19, Schneider Electric and IndustriAll Europe, a European trade union federation of workers in the mining, energy and manufacturing sectors, signed a refreshed agreement that creates an anticipatory and proactive employment policy to boost growth in Europe.

On June 15, Schneider Electric is on LinkedIn's 2017 Global Top Companies list. It is compiled by analyzing the billions of actions taken by LinkedIn's 500-plus million members to come up with a blended score derived from a combination of LinkedIn data and editorial coverage. Companies recognized are celebrated as making an impact in the professional world, highlighting organizations that attract and retain top talent globally.

On September 26, Schneider Electric announced a new Global Family Leave policy that is industry-leading in its global scope and strengthens the company's commitment to Diversity and Inclusion. The policy will support Schneider Electric employees worldwide by providing paid personal time during moments when it matters the most, enabling them to better manage their unique life and work.

From 10th to 13th October, Schneider Electric hosted the 12 finalist teams of the seventh Go Green in the City, its international student competition to find innovative energy solutions for smart cities. The winning team of the seventh edition of Go Green in the City is Team PHOENIX from the Indian Institute of Technology Roorkee for their idea to use the water-cooling properties of earthen pots, a quality long recognized in India, to help cool rooms.

Corporate Social Responsibility

On March 13, Schneider Electric announced it has been recognized as one of the World's Most Ethical Companies by the Ethisphere® Institute, the global leader in defining and advancing the standards of ethical business practices. This is the seventh consecutive year that Schneider Electric has received this accolade from Ethisphere®.

On April 7, Schneider Electric inaugurated a new vocational training centre in the field of energy in Abidjan (Ivory Coast), initiated in partnership with the Ministry of State, Ministry of Labour, Social Affairs and Professional Training for The Republic of Ivory Coast (MEMEASFP) and the development centre for building trades (CPM-Bat). The training centre aims to train 60 young people per year, selected from 10 Abidjan communes, in energy sector trades.

On May 29, Schneider Electric and its Foundation signed a partnership with the General Council of the Salesian Congregation. Representing an investment of €2 million, this initiative will first fund five renewable energy and sustainable development projects selected from proposals made by numerous Salesian technical and professional schools worldwide.

On September 4, Schneider Electric and Global Footprint Network signed a global partnership to engage people around the world in moving the date of Earth Overshoot Day—the date when humanity's annual demand on nature exceeds what Earth can regenerate over the entire year.

On October 10, Schneider Electric is awarded the "Integrated Thinking" prize by the Institut du Capitalisme Responsable [Responsible Capitalism Institute] in the category "large companies". The prize recognizes the extent to which sustainable development has been integrated into the Group's strategy and the breadth of dialogue with all stakeholders.

On December 11, Schneider Electric committed to achieving 100% renewable sourced electricity and to doubling its energy productivity by 2030. Schneider Electric decided to join two global, collaborative initiatives, led by The Climate Group (RE100 & EP100) and bringing together influential businesses committed to accelerating climate action. These commitments will cover more than 1,000 electricity consuming sites around the globe, including 200 factories. Schneider Electric will leverage a broad range of renewable energy sources, including but not limited to solar, wind, geothermal and biomass.

Profile of the Group

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

€24.7 billion
revenues

€ 3.65 billion
adjusted EBITA

5%
of revenues devoted to
R&D

142,000 employees
in over 100 countries

41%
of revenues in new economies

82%
of independent directors

45%
of revenues related to the Internet Of Things

200
plants and
90
distribution centers around the world

472,065 tCO_2
scopes 1 and 2

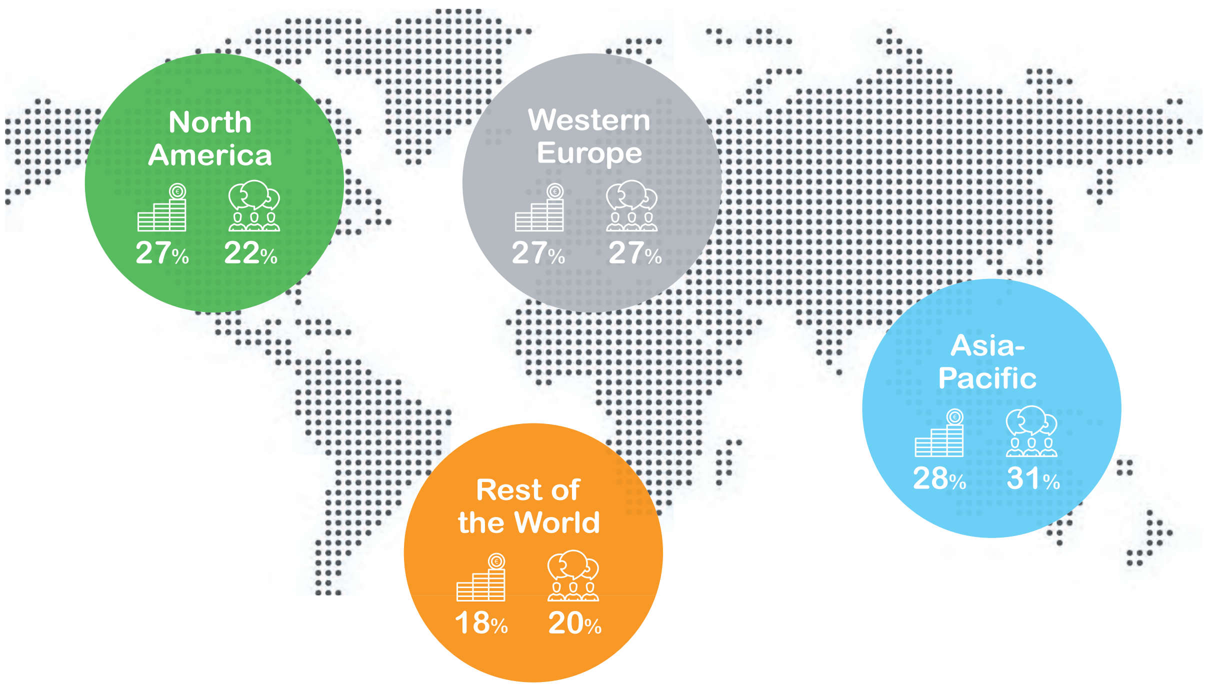
22.8 m^3
water consumption per employee

0.62
frequency rate of accidents per million hours worked

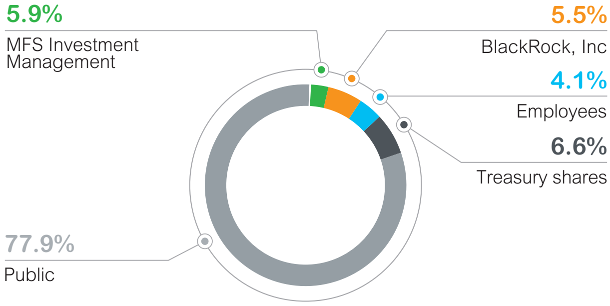
€24.7bn
revenues

142,000
employees

Revenue and 2017 headcount by geography(1)



Ownership structure on December 31, 2017

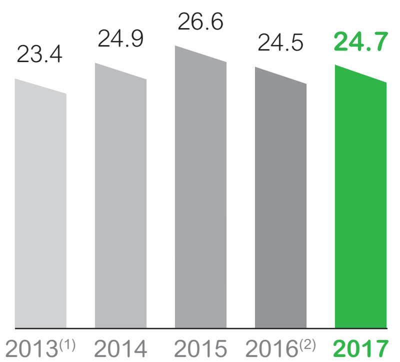


(1) Spot headcount, including employees under fixed-contract and open-ended contracts, on December 31, 2017.

Key Figures 2017

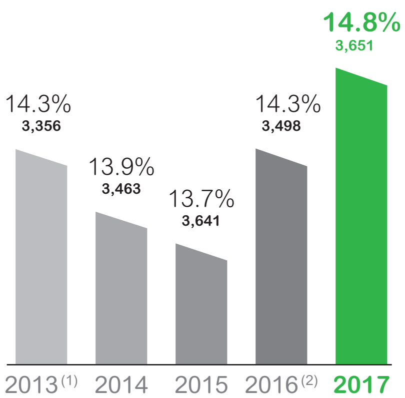
Full year revenues up	Full year Adjusted EBITA	Strong cash conversion at	Proposed dividend of
+1.2%	14.8%	105%	€2.2
+3.2% organically			up + 8%

Consolidated revenue
(in billions of euros)



2017 delivered strong performance, with Sales up +3.2% organic and all-time high Adjusted EBITA, Net Income, Free Cash Flow & EPS.
The Group's sales accelerated, boosted by the delivery of complete solutions of efficiency and productivity, leveraging the strength of the Group's focused portfolio in Energy Management and Industrial Automation and the adoption of EcoStruxure as the platform of integration and collaboration.
In Energy Management, the Medium Voltage business improved its margin by c. +1.3pt organically thanks to higher system margin and strong cost control. The Low Voltage business delivered good growth and margin improvement, and Secure Power posted growth in both IT and non-IT markets, with good resilience at high level of its margin. The Industrial Automation activity grew strongly over the year while improving its margin.
From a geographic standpoint, all regions grew organically, with +6% in Asia Pacific, driven by a strong year in China and good performance in other countries. Western Europe and North America were up +2%, with good success of the Group's integrated portfolio in favorable end-markets. Rest of the World was up +3%, with good results outside Middle-East and South America. New economies accounted for 41% of 2017 revenue.

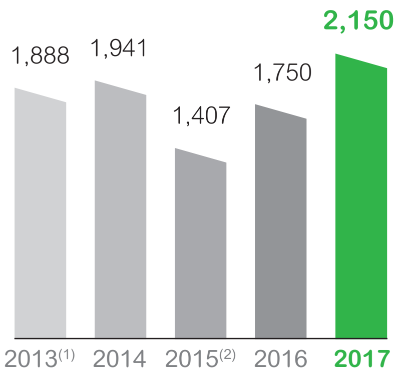
Adjusted EBITA [3]
(in millions of euros and as a % of revenue)



2017 Adjusted EBITA reached a record €3,651 million, increasing organically by +9.2% and the Adjusted EBITA margin improved +90 bps organically to 14.8%, exceeding the high end of the revised FY2017 objective, thanks to strong productivity, volume, improving price and good cost management. FX decreased the adjusted EBITA by -124 million euros, mainly due to the depreciation of the US dollar, Chinese Yuan, British Pound and other currencies against the euro.

(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) 2016 figures restated due to the deconsolidation of the Group's solar activity.
(3) Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

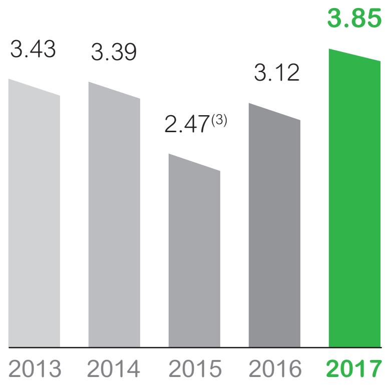
➜ Net income
(in millions of euros)



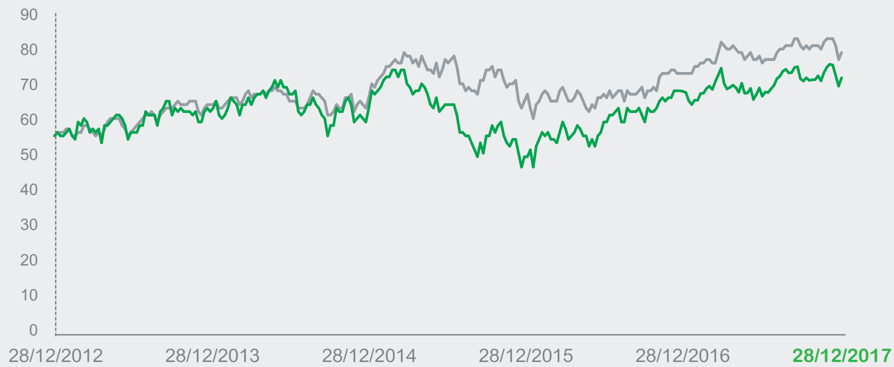
The Group share in net income was 2,150 million euros, up +23% year-on-year. Restructuring charges were 286 million euros, driven by efficiency and simplification initiatives, concluding the 3-year adjustment of our structure and cost. Other operating income and expenses had a negative impact of -15 million euros, vs. -63 million euros in 2016. The amortization and depreciation of intangibles linked to acquisitions was a negative -140 million euros. Net financial expenses were -€367 million, €95 million lower than in 2016. Cost of debt (net) decreased thanks to new issuance at favorable rates.

Income tax amounted to -€600 million. The normative tax rate for the year was down to 21.5%, due to higher synergies related to Invensys and a favorable profit mix. The changes in tax regulations in few countries (including the U.S) during the year contributed to lowering FY17 ETR to 21.1%.

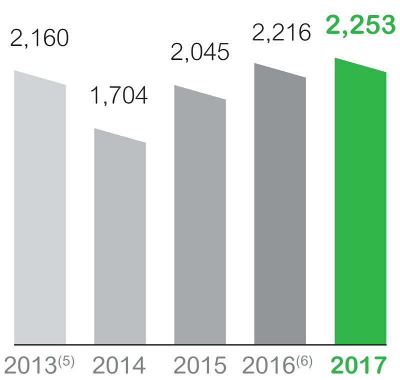
➜ Earnings per share
(in euros)



Share price against CAC 40 index over five years

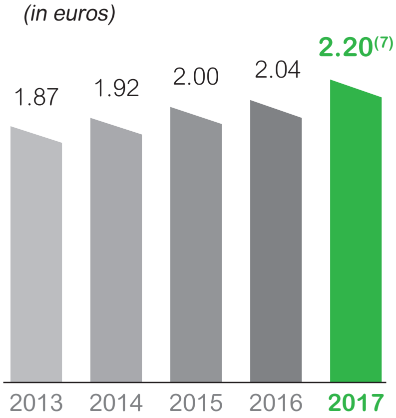


➜ Free cash flow(4)
(in millions of euros)



Free cash flow was reported at a record €2,253 million, thanks to strong operating cash flow and despite topline growth requiring increased working capital. It included net capital expenditure of €688 million, representing ~2.8% of revenues. The trade working capital increased by €126 million driven by the growth of the group. Cash conversion remained high at 105%(5) in 2017.

➜ Dividend per share
(in euros)



(1) 2013 figures restated due to the full consolidation of Delixi (previously consolidated proportionally at 50%), CST reclassification in discontinued operations and other minor changes.
(2) 2015 net income adjusted for Invensys integration costs, impact of business disposals, Pelco impairment, and restructuring charges. All elements net of tax.
(3) 2015 EPS adjusted for business disposals impact and Pelco impairment is 3.73 vs. 3.51 in 2014.
(4) Cash provided by operating activities less change in working capital less net capital expenditure.
(5) 2013 figures restated due to the full consolidation of Delixi (previously consolidated proportionally at 50%), CST reclassification in discontinued operations and other minor changes.
(6) Cash conversion based on net income adjusted for non-cash c.120 million euro income tax increase.
(7) Subject to shareholders' approval at the Annual Meeting of April 24, 2018, for payment on May 4, 2018.

Market trends creating opportunities

Electrification and digitization create numerous opportunities for Schneider Electric: from rising needs in automation and connectivity to the enormous need for energy efficiency, which requires an optimized use of resources.

Electrification: electricity consumption increase by 60% by 2040

(Source: IEA, World Energy Outlook 2016)

TREND	Electricity is the primary source of energy for modern development: IT and modern appliances and applications are all powered by electricity. Electricity is an efficient and flexible source of energy. A number of sectors are shifting as a result towards increased use of electricity, like transportation for instance. Electricity is the primary vector for decarbonization today with renewable energies.
CHALLENGES FOR OUR CUSTOMERS	Industry sectors are progressively shifting towards increased use of electricity in their energy mix, for example the accelerating uptake of Electric Vehicles. New economies will need to develop their infrastructure as their power consumption increases by a factor of 2 to 3 in the coming 20 years. New challenges for the power system, as a new decarbonized and decentralized energy paradigm shapes up, with a need for sustained and improved reliability, greater efficiency, flexibility, and overall collaboration. The demand side becomes the center of gravity of the new power system, creating a multitude of opportunities.
OPPORTUNITIES FOR SCHNEIDER ELECTRIC	Schneider is leading the transformation to a more electric world with decentralized and demand-driven power solutions. This is very favorable for Schneider Electric, having focused >90% of our business on the Energy Demand side, with strong global leadership positions across our 4 end markets. Electricity brings massive efficiency opportunities in demand consumption, especially when produced from renewable energies. Digitization will be the key enabler of this transformation. Schneider Electric, with its partners, will deliver a first-of-its-kind solar photovoltaic (PV) and battery microgrid project in northern Adelaide, Australia. The microgrid will harness the full potential of renewable energy by dealing with the intermittent nature of solar, facilitated by the integration of Schneider Electric's market-leading EcoStruxure™ digital platform, which will optimize the site's solar PV and battery storage.

Digitization: 30 billion connected things by 2020

(Source: IHS Markit)

TREND	In the past 20 years, the Internet has connected 3.5 billion people together. Over the next years there will be 10 times more devices connected than people and by 2020 the Internet will connect 30 billion devices. This is the basis for the development of the Industrial Internet of Things (IIoT) together with the convergence of Operational Technology (OT) and Information Technology (IT).
CHALLENGES FOR OUR CUSTOMERS	Increased connectivity and real-time access to information are having an overwhelming impact on our personal and professional lives: • Digitization of operations (Digital Twins, AI and Augmented Reality); • Online information (e-training, digital customer service, e-commerce); • Online platforms and integrated digital tools to collaborate more efficiently.
OPPORTUNITIES FOR SCHNEIDER ELECTRIC	Digitization enables buildings, machines and plants to reach new levels of reliability, safety, efficiency and productivity. It maximizes comfort and energy efficiency in building and it enables a gradual change in asset performance management (notably with predictive analytics), operators empowerment (augmented reality), making enterprises and facilities more agile to adapt to varying operating conditions (information systems, analytics, lifecycle management). A digital economy is by definition electrified and requires an uninterrupted power supply as downtime is not acceptable. The increasing energy use of the digital economy also requires us to reinvent the energy system and have an integrated energy, efficiency and sustainability strategy. A Turkish dairy company wanted to take advantage of Industry 4.0/IIoT benefits and felt a flexible platform was the best way to get there. Using the Wonderware System Platform as well as other software offers, they were able to standardize their operations and manufacturing, resulting in a 15% improvement in overall equipment efficiency (OEE) gains and energy savings, as well as reduced engineering cost and time.

The impact of these challenges on our markets: our world will be more…

- **Electric:** By 2040, electricity demand will grow twice as fast as energy demand. 3 times more energy efficiency will be necessary to solve the climate challenge by then.
- **Digital:** New technologies enable us to completely rethink the way we deal with energy in a far more sustainable and efficient manner. They make our customers' life easier, increase productivity, create new business models that provide new value propositions for their own customers. In 2020, there will be 10 times more connected devices than connected people.
- **Decarbonized:** Renewable energy sources will account for 60% of all new power generation capacity by 2040. 79% of the economic potential of energy efficiency in buildings, and more than half in industry, remains untapped.
- **Decentralized:** Microgrids, distributed energy resources (DER) and energy storage allow consumers to produce their own energy and shift to a greener energy mix. By 2040, renewable energies will constitute 70% of new capacity in rural areas.

An integrated offer and leadership positions in our businesses

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

Our businesses' commitment to the energy transition

Energy management

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

Automation

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

Software

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

Our products and solutions (2017 revenue)

ENERGY MANAGEMENT			INDUSTRIAL AUTOMATION

18%
Medium voltage

Medium voltage and Grid automation
N°1 worldwide

- Medium voltage electrical distribution products and solutions
- Electrical grid automation and protection solutions
- Integrated management software for sensitive mission infrastructure

43%
Low voltage

Low voltage and Building automation
N°1 worldwide

- Building comfort and energy efficiency
- Low voltage electrical distribution products and solutions

15%
Secure power

Secure energy, Cooling & Services
N°1 worldwide

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

24%
Industrial automation

Discrete industrial and machine automation
N°2 worldwide

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

Process Automation
N°4 worldwide

- Distributed control, instrumentation and security systems
- Software for the management of industrial operations, modeling/simulation and asset management

Our products and services to meet the challenges of the future

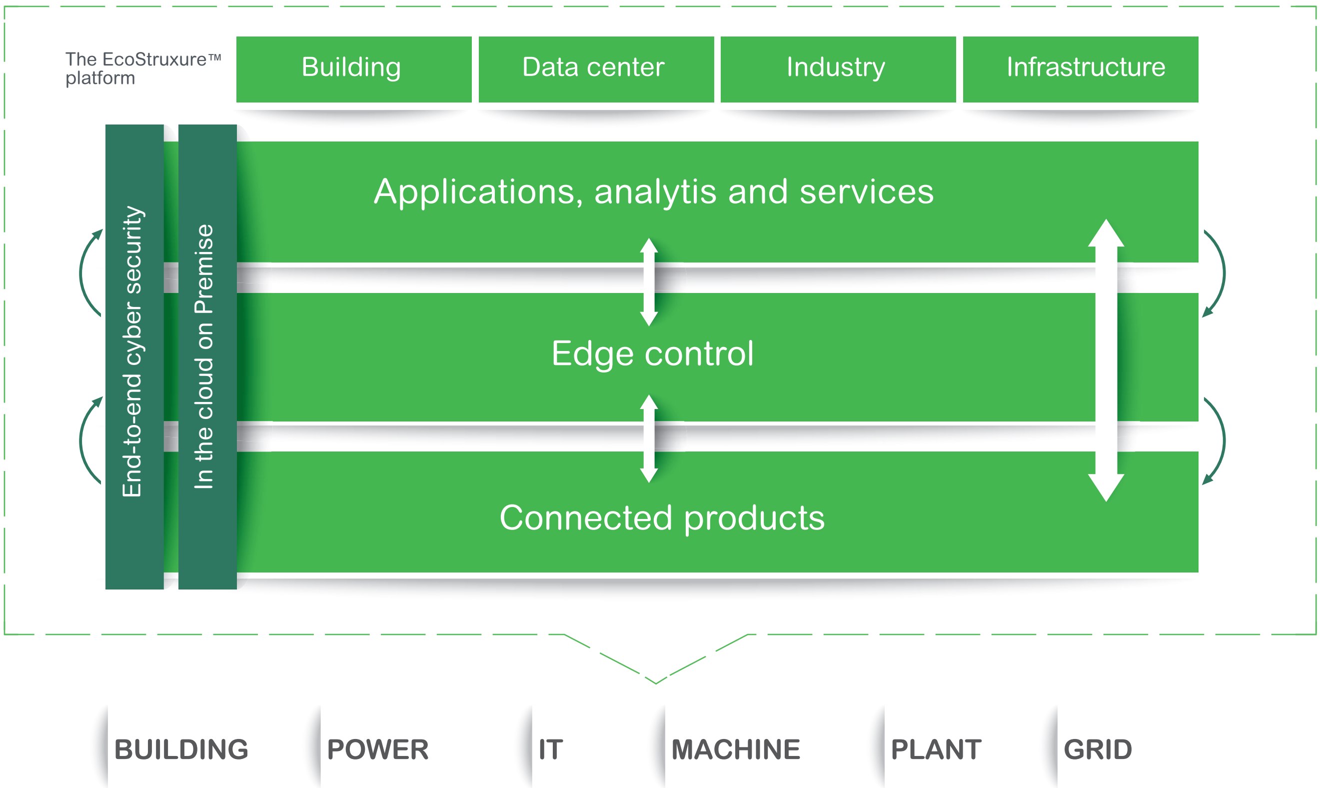
As Schneider Electric's four markets consume 70% of the world's energy, the Group is innovating at all levels to redefine energy management and automation.

EcoStruxure™: Innovation at all levels

Combined with digitization, the convergence of Operational Technology (OT) and Information Technology (IT) creates many opportunities for customers. It makes their life easier, increases productivity, and encourages the emergence of innovative business models providing new value propositions for their own customers. Central to this future growth and through continuous innovation, Schneider Electric engineers products and solutions that help them unlock this potential.

Schneider Electric continues to enhance its EcoStruxure™ architecture and platform, which was launched in November 2016, enabling the widespread deployment of IoT (Internet of Things) solutions to all the Group's markets.

With EcoStruxure™, we have taken advantage of technological advances to offer innovation at all levels of a company or organization, products connected to data management and control, applications, analytical data and services. Our goal is to enable the interoperable connection of Internet of Things solutions, to collect and analyze data, to act in real time, and to offer enhanced security, efficiency, reliability and durability.



Integrated and open, our solutions – organized around four major technologies – improve the energy and economic performance of facilities while preserving resources, for a more sustainable world.

Numerous innovative launches in 2017

in the 6 EcoStruxure™ domains

The Medium Voltage business provides our customers with the answer to the complex equation of the energy transition.

Innovation

The Easergy T300 remote management unit helps to manage and automate distribution networks, including grid self-healing applications.

Low Voltage electrical distribution products and solutions address the needs of all end-markets from residential to commercial buildings, industrial business sectors, infrastructure and data centers. Building Automation facilitates comfort and energy efficiency in nonresidential buildings.

Innovation

PowerTag is the first global solution to enable a Facility Manager or electrician to connect their electric panel in less than 30 minutes, in order to monitor energy consumption and critical equipment.

The Secure Energy business specializes in critical power products and solutions for data centers and other applications where power continuity and quality are essential.

Innovation

The HyperPod system brings modularity and speed of deployment to colocation players, with innovative management of electricity supply and cooling.

The Industrial Automation business scope includes both process and discrete automation, providing comprehensive products and solutions for the automation and control of machines, manufacturing plants and industrial sites.

Innovation

Augmented reality applications for mobile devices make it possible to create a virtual connection between a technical expert and a machine, reducing the time taken to identify potential problems.

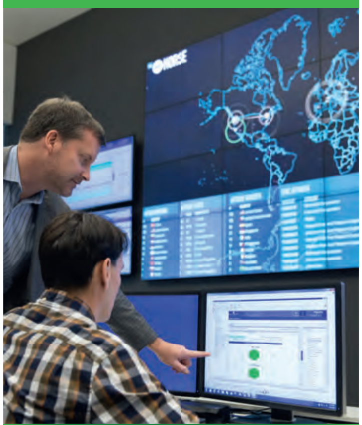
Deputy CEO in charge of finance and legal affairs

A strategy serving energy transition technologies

Schneider Electric's strategy is responding to today's market trends and new customer needs in six strategic ways.

A strategy that leverages market opportunities

ELECTRIFICATION



DIGITIZATION

1 Driving the world's digital energy transition

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

2 The one full-liner in Automation

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

3 Driving the digital transformation of customers and partners

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

4 Leveraging the opportunity from new economies

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

5 Building differentiated and complementary business models

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

6 Investing in profitable and responsible while driving efficiency

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

Leadership team

Executive committee (as of February 14, 2018)

1. Jean-Pascal Tricoire
Chairman & Chief Executive Officer

GLOBAL FONCTIONS

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

3. Olivier Blum
Executive Vice-President, Global Human Resources

4. Annette Clayton
Executive Vice-President, Global Supply Chain

5. Hervé Coureil
Executive Vice-President, Information Systems

6. Emmanuel Lagarrigue
Executive Vice-President, Strategy

7. Chris Leong
Executive Vice-President, Global Marketing

OPERATIONS

8. Annette Clayton
Executive Vice-President, North America Operations

9. Christel Heydemann
Executive Vice-President, France Operations

10. Leonid Mukhamedov
Executive Vice-President, Europe Operations

11. Luc Rémont
Executive Vice-President, International Operations

12. Yin Zheng
Executive Vice-President, China Operations

BUSINESSES

13. Frédéric Abbal
Executive Vice-President, Medium voltage

14. Philippe Delorme
Executive Vice-President, Low voltage - Secure Power

15. Peter Herweck
Executive Vice-President, Industrial automation

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

1. Group strategy and market opportunities

Schneider Electric is leading the Digital Transformation of Energy Management and Automation in Homes, Buildings, Data Centers, Infrastructure and Industries. With global presence in over 100 countries, Schneider is the undisputable leader in Power Management – Medium Voltage, Low Voltage and Secure Power, and in Automation Systems. We provide integrated efficiency solutions, combining energy, automation and software.

In our global Ecosystem, we collaborate with the largest Partner, Integrator and Developer Community on our Open Platform to deliver real-time control and operational efficiency. We believe that great people and partners make Schneider a great company and that our commitment to Innovation, Diversity and Sustainability ensures that Life Is On everywhere, for everyone and at every moment.

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.

As a **leader of the Digital Transformation of Energy Management and Automation**, we are committed to global improvement in connectivity, sustainability, efficiency, reliability and safety in 5 places: in our homes, in our cities and buildings, in our industries, 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' lives 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

Life is On when Life is Powered and Digital. Our world is increasingly electric and digitization is enabling a new level of connectivity. Electrification and Digitization continue to shape our lives as new economies are built and mature economies are transformed, creating new opportunities for Schneider Electric.

Electrification

Our world is becoming more electric, as electricity consumption forecast to increase by 60% by 2040. According to the International Energy Agency, electricity consumption will grow twice as fast as all other energy sources. Three factors drive this transformation.

- Electricity is the primary source of energy for modern development: IT and modern appliances and applications are all powered by electricity.
- Electricity is an efficient and flexible source of energy. As a result, a number of sectors are shifting towards greater use of electricity, like transportation for instance.
- Electricity is the primary vector for decarbonization today, with renewable energies.

The rise in personal income and the continued urban migration in new economies is driving the rate of electrification, especially in residential and commercial buildings. The IEA estimates that new economies will represent 85% of global power consumption growth. China alone is expected to account for 30% of total growth. Several of these new economies are expected to see their power consumption increase by a factor of 2 to 3 in the coming 20 years.

Electricity multiplies the efficiency of end-consumption, especially when produced from renewable energies. As a result, some sectors are progressively shifting towards more electricity in their energy mix. Electric vehicles could for instance represent 54% of new vehicle sales by 2040 according to Bloomberg (New Energy Finance). This contributes to increasing electricity consumption, in particular in new economies as they continue to develop their infrastructure, at the expense of other energy sources.

Electrification is also the central solution to the current decarbonization with the ongoing energy transition, which involves the migration of the power sector towards a greater mix of renewable energies. CO_2 emissions related to energy represent around 55% of total greenhouse gas emissions (31% for direct emissions, 24% for power and heat), and they are the fastest-growing emissions. The decarbonization of the power sector alongside the electrification of other energy demands, such as transportation, brings the potential for significant decarbonization.

The rapid deployment and falling costs of clean energy technologies continue to drive this transformation and make it possible. Bloomberg estimates that renewables could capture more than 85% of total investments through 2040. The trend since 2010, in which time costs of new solar PV have come down by 70%, wind by 25% and battery costs by 70%, will continue and shift the cost advantage to renewables and storage. Bloomberg has estimated that the tipping point could be reached in China and India in the early 2020s (comparing new solar installations to new coal power plants). This transition is creating new challenges for the power system as a new decarbonized and decentralized energy paradigm shapes up, with a need for sustained and improved reliability, greater efficiency, flexibility, and overall collaboration. The demand side becomes the center of gravity of the new power system, creating a multitude of opportunities. Digitization will be the key enabler of this transformation.

The world will be more electric and digital, and this is very favorable for Schneider Electric, having focused > 90% of our business on the Energy Demand side, with strong global leadership positions across our 4 end markets.

Digitization

In the past 20 years, the Internet has connected 3.5 billion people together. Over the next years there will be 10 times more devices connected than people and by 2020 the Internet will connect over 30 billion devices. The increase in connectivity is complemented by access to real-time information through enhanced and competitive computing capabilities. This is changing our personal and professional lives. Customer experience is at the center of this transformation and companies are digitizing their operations to meet these demands. At the same time, they expect a complete digital experience from their own suppliers. Employees are also increasingly using online platforms and tools to collaborate across countries. Digitization is changing the way we work and is creating a multitude of new opportunities.

Digitization is driven by the combination of 5 technological advances:

- pervasive sensing enabling the collection of vast amount of data;
- the cloud, enabling aggregation and secured access to data;
- analytics creating insights from data;
- mobility through smart devices, enabling pervasive, rich and easy user experience;
- and finally, cybersecurity providing protection from against attacks or damage.

Digitization enables machines, plants and buildings to reach new levels of reliability, safety, efficiency and productivity. It enables step changes in terms of asset performance management (notably with predictive analytics), operator empowerment (augmented reality) and making enterprises and facilities more agile to varying operating conditions (information systems, analytics, lifecycle management). Industrial software is the core of smart factories. Schneider Electric has significantly strengthened its industrial software offering, especially in operations management, for process management as well as industrial automation applications.

Electrification and digitization are creating many new opportunities for Schneider Electric, from growing needs in terms of automation and connectivity to the massive requirements for demand side energy management. Schneider Electric will continue to play a leading role in the movement toward a more reliable, safe, efficient, sustainable, and connected world.

1.3 Group strategy

As a leader in the Digital Transformation of Energy Management and Automation, Schneider Electric is at the forefront to capture these megatrends with an extensive energy management and automation offer that the Group delivered globally through complementary business models and access channels. We have a unique set of energy management and automation technologies, strategically positioned on the demand side of the energy landscape.

Driving the world's digital energy transition

The energy transition generates significant issues that remain to be tackled, as the world operates a paradigm shift towards decentralized and intermittent renewable power. Digitization on demand side is a key success factor to enable this transition.

The World Economic Forum has estimated that energy efficiency is the cheapest solution to tackle the transition. However, 70% of the world's energy is still used today without any efficiency performance requirements. For new buildings, ⅔ of the energy consumption has no applicable codes or standards. According to the IEA, the improvement in energy efficiency in the major energy-consuming sectors (industry, buildings and residential) could help reduce energy use by 15% to 25%, a very attractive business scenario in all economies. Schneider Electric has developed a unique portfolio of products and solutions for active energy management to homes, buildings, industrial plants, data centers and infrastructures. Our digital solutions typically enable savings of 30%, based on data provided by past projects.

The new emerging power system requires increased flexibility. Here again, digitization of the demand side enables increased levels of flexibility. Schneider Electric has developed a comprehensive portfolio of solutions to monitor and digitally control demand. In addition, the company has been very active in developing microgrid solutions, which inherently bring new levels of flexibility to the grid. Schneider Electric's innovative, advanced digital solutions and services enable utilities to operate and maintain more reliable, resilient, and efficient grids, enabling the smooth integration and management of distributed energy resources into power networks. Finally, Schneider Electric is also active in advising customers on their energy procurement strategies, enabling companies to adopt more sustainable and efficient energy profiles, a must do as the number of market actors increases alongside demands for decarbonized, reliable and cost effective energy solutions.

The one full-liner in automation: leading in discrete, hybrid and process automation

Industries are facing significant opportunities as digitization pervades all usages. Schneider Electric is the sole full-liner in process automation and hybrid manufacturing, delivering complete IIoT (Industrial Internet Of Things) solutions for the plants and machines domain. Through EcoStruxure™, built upon leading smart connected devices, a complete renewed edge control and leading software platform, Schneider Electric delivers IIoT services to improve efficiency and energy management for the whole life-cycle of plants and machines. As industries digitize, they can extract increased performance from their assets, notably through predictive maintenance, longer lifetime, optimized energy and raw materials consumption. They can also significantly empower operators, notably with the use of augmented reality and digital repositories. They can achieve a greater level of agility for their enterprises, optimizing plant manufacturing in varying demand and supply conditions, and streamlining supply chains throughout the enterprise. Our references have shown that productivity can be improved by around 30% through the proper deployment of digital technologies.

Driving the digital transformation of customers and partners

Schneider Electric is leading the digital transformation of energy management and automation, with a portfolio of activities 90% focused on the demand side. Through EcoStruxure™, Schneider brings a comprehensive response to the challenges of digital transformation, across 6 domains and for 4 end-user markets. EcoStruxure™ is an open architecture, which integrates connectivity at the lowest level, control at the edge for critical operations, and cloud-based digital services, throughout the lifecycle of assets. EcoStruxure™ architectures are deployed across 480,000+ sites around the world. EcoStruxure™ is also a community, with 20,000+ system integrators and developers, actively engaging on the platform, as well as a broad range of technology alliance partners, supporting the development of a complete open ecosystem.

In addition to continuously innovating and digitizing our offers, Schneider Electric aims to provide the best-in-class digital experience to our customers and partners. Our digitized and dynamic sales & marketing channels, provide customers with easy access to up-to-date information on our offers and company, be it on social media, our web or our partner portals. We deliver a digitized and tailored customer service experience from the design phase to operations and maintenance. Digitization is at the core of the Group's strategy and Schneider Electric is committed to supporting the digital transformation of its customers and its partners. We also want to facilitate interaction between our partners, across the value chain, by bringing them on to one open platform and integrating them in to a digitally enabled ecosystem that will eliminate current inefficiencies.

Leveraging opportunities in new economies

New economies will continue to experience accelerated development in the medium-term as they catch up with more mature economies and in many cases leapfrog into the latest digital technologies. Schneider Electric's long-term commitment to new economies has resulted in strong growth over the last decade, at around 15% CAGR. Our customer focus and local knowledge have resulted in several emblematic customer successes, such as the following examples:

China: Power and Automation solution for a leading steel company, leveraging the strengths of EcoStruxure™ plug-and-play architecture from connected products to software. The customer faces difficulties in cost optimization (labor, energy, capacity management) and deploys a complete EcoStruxure™ solution, including power system, automation system, optimization application to reach a productivity increase objective of 30%. In addition, the solution delivers enhanced benefits such as increased safety, reduced mechanical issues and facilitated maintenance.

India: Future-proofing the data centers of a global IT infrastructure services provider with Schneider Electric solutions and services. Schneider Electric carried out a comprehensive audit for 11 data center sites across India. This resulted in the delivery of a modular and scalable solution with remote monitoring for predictive maintenance supported by Schneider Electric experts. The outcome include savings of up to 50% of floor space, 75% less time spent on maintenance and 25% savings on generator capacity.

South Korea: The Smart Panel solution implemented in a world-class general construction project incorporated measurement, connection, and powerful energy management capabilities. This project resulted in cost reduction through efficient energy management, improved facility operations and power stability and a 30% reduction in electrical room space.

New economies present the biggest long-term opportunity for growth as a result of electrification and digitization. Schneider Electric expects continued opportunities and growth in these markets. Our long-term commitment helps us build an intimate knowledge of these markets and we believe that the strength of our brand, our competitive local supply chain and the development of local marketing and R&D capabilities are competitive advantages.

Building differentiated and complementary business models

Our 4 businesses offer a wide range of products, services, software and solutions. Each of these offers have different revenue growth and profitability profiles, complementing each other to fulfil our partners' and customers' needs. With a strategy of accelerated growth of our profitable businesses and improvement in our systems, Schneider Electric focuses on selling:

- More products through our industry-leading partner network offering a wide range of market-leading products supported by a superior digital customer experience. Our products offer best-in-class technology to our distributors and direct partners, such as contractors, system integrators and electricians, who provide the ability to reach large numbers of small and medium-sized customers. Our connected products, the "things" of IoT, connect seamlessly to higher-level systems and software, with embedded cybersecurity.
- More services to partners and end users to maximize the business value of their installations and optimize their processes. Schneider Electric offers a wide range of services, such as digitally enhanced field services to our large installed base, digital services providing customers with the right information in the right place and time and advisory services, such as energy management and sustainability services helping end users understand and optimize their energy and resource use. With a network of over 37,000 qualified technicians and domain experts, Schneider Electric gives our customers optimized performance and peace of mind.
- More software to drive efficiency and control for our partners and end users. In the past 5 years, Schneider Electric has developed of a full portfolio of software, apps, and analytics to permit, enable and catalyze optimization. With the recent integration of AVEVA, we have created a global leader in industrial software, with scale and relevance in key markets and an extensive technology portfolio. This will provide our customers with a comprehensive and open software portfolio offering an unmatched set of end-to-end solutions covering all aspects of digital asset management from process simulation to design, construction and manufacturing operations.
- A better system where we focus on delivering more specialized systems (equipment & projects), both through our partners or direct to end users, with tested and validated reference architectures. They provide significant opportunities to develop greater customer intimacy and stickiness through dialogue with final end-users, which in turn helps inform the Group's quest for continuous innovation.

Our products, services, software and solutions are all combined in EcoStruxure™, our open, interoperable, IoT-enabled system architecture and platform. EcoStruxure™ delivers enhanced value around safety, reliability, efficiency, sustainability, and connectivity. EcoStruxure™ leverages advancements in IoT, mobility, sensing, cloud, analytics and cybersecurity to deliver Innovation at every level, from Connected Products, Edge Control to Apps, Analytics & Services. EcoStruxure™ has been deployed in 480,000+ installations, with the support of 20,000+ system integrators, connecting over 1.5 million assets.

Our EcoStruxure™ architecture and interoperable technology platform brings together energy, automation, and software. It provides enhanced value around safety, reliability, efficiency, sustainability, and connectivity. In turn, this advancement opens up the digital world to customers across our end markets, enabling them to be competitive in today's IoT economy.

Investing in profitable and responsible growth while driving efficiency

We believe in the high and 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 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 energy management and automation, or related to local businesses in new economies.

Finally, driving efficiency at all levels of the Company is an equally important focus. 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 enjoys a number 1 or 2 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. This is achieved through a renewed commitment to innovation and significant investments in research and development. As a result, our products and solutions meet the needs of our customers for safety, simplicity, connectivity, and flexibility. 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 brands are among the most recognized in the industry.

Accelerating our digital transformation journey

Schneider Electric accelerates its own digital transformation journey with the formation of Schneider Digital, ensuring a consistent and integrated digital experience across our offers and interactions with customer and partners. Schneider Digital is based on 4 foundational pillars:

- Leveraging common technology: through the appointment of a Chief digital officer, the development of a transversal digital organization, the centralized animation of a network of technology partners, and a global resource allocation management system. For instance, the Schneider Electric Digital Services Factory, a 'virtual' factory created in cooperation with Accenture, enables us to rapidly build and scale new offerings in areas such as predictive maintenance, asset monitoring and energy optimization;
- Enhancing competencies: through extensive competency mapping, digital learning and university partnerships;
- Measuring performance: through the establishment of a digital barometer and the creation of a digital committee at board of directors' level;
- Supporting a strong innovative ecosystem: with a robust development ecosystem for partners, developers and system integrators, faster time from idea to market, and the ability to scale customer projects. For instance, our open EcoStruxure™ platform uses open protocols and standards to ensure we can innovate and accelerate development with our best-in-class partners. Openness is critical for bring value to our customers.

The value of an integrated portfolio

We maximize the Group's synergies and value proposition to customers in our end markets through our integrated portfolio, enhanced by our unique and integrated EcoStruxure™ approach, as well as our integrated and specialized salesforce. This integrated play generates close to 50% cross-selling of offers across our 4 end markets, with pull-through technologies growing at a higher rate. The values of such integrated approach are exemplified in the following customer references:

- A World Class reference data center for a leading telecom services company in Africa with a solution consisting of a large UPS system and a ~50% attach rate in Power Management and Industrial offers. The combined offer, together with our Lifecycle and Preventive Services were unmatched by the competition;
- A Major transportation operator in Shanghai with a full solution including operation system, distribution system, electromechanical devices and spare parts. This enabled the customer to move from passive response to pro-active maintenance, and lower total investment during the lifecycle especially during the Opex phase;
- An End-to-end Smart Grid solution & Water Management system including Medium Voltage, Process Automation and Software Integrated Building Management System. The integrated solution increased the efficiency of operators and management. The implementation of advanced unified dashboards improved the Situation Awareness and Operational readiness and provided immediate access to critical KPIs & Reporting data in the Field.

Multiple access channels for 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, ensuring the right conditions for locally-run projects and local economic development. These diverse market access channels, which support our model with limited capital investment, also help to ensure that we are not dependent on a limited number of large customers.

Long-term relationships with our distribution partners and end customers are key to us and we are therefore constantly seeking to enhance the value we add. Today's value chain in electrical distribution is highly fragmented and inefficient, from design to maintenance. At Schneider Electric we strive to improve interactions across the value chain and bring all partners onto one open platform, with the right tools to simplify the CapEx phase. As the worldwide leader in numbers of partners involved in the electrical distribution cycle, Schneider Electric's mission is to integrate it into an ecosystem. Digitization will help to connect these fragmented channels into a single Power Ecosystem.

Global reach with a unique local presence

We have operations in more than 100 countries, providing a balanced global geographical exposure. Due to our large footprint, we are one of the few companies that can deliver the highest standards of technology and quality in energy management and automation, across all multinational customer operations around the world. This enables us to provide optimal services to our global customers, in every location. In addition, we are reinforcing our local presence and strong local partnerships in every country to serve our diffuse customer base. Lastly, with 41% of our revenues in new economies in 2017, we believe we are well positioned to capture growth. 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.

Scale through our integrated and global supply chain

Our Global Supply Chain integrates over 200 factories and more than 90 distribution centers in 45 countries, managing 261,000 references and processing 140,000 order lines/day. It has a strong focus on customer satisfaction and operational efficiency. Powered by EcoStruxure™ solutions, our Global Supply Chain continues to make significant progress in both areas and in 2016 Schneider Electric was included in Gartner's Supply Chain Top 25 Ranking for the first time, as a clear sign of our achievements.

Schneider Electric supply chain is engaged in continuous digital transformation to provide the best tailored customer experience while integrating sustainability at every step through greener and more efficient sites operating with EcoStruxure™.

2. Businesses, end-markets and customer channels

Schneider Electric is centered on 2 core offerings : Energy Management (Medium Voltage, Low Voltage and secure Power) and Industrial Automation and operates in 4 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 into 4 businesses: Medium Voltage, Low Voltage, Secure Power and Industrial Automation(1).

Medium Voltage business: Number 1 Worldwide in Medium Voltage & Grid Automation

The Medium Voltage ("MV") business provides our customers with the answer to the complex equation of the energy transition. Historically, the Infrastructure scope encompasses primary and secondary Medium Voltage switchgear, transformers, electrical network protection and automation, remote control systems, and MV/LV substations. With IoT reaching power products, the medium voltage business is now further built around connected products and software for the integrated management of mission-critical infrastructure and Advanced Grid Solutions as well as asset performance management. Our software suite includes, for example, Advanced Distribution Management Software (ADMS), Operation Management Software (OMS), Supervisory Control And Data Acquisition (SCADA) software and pipeline management software. Our products, software, solutions and associated services can be delivered directly to our end-users or indirectly through different channels under various models, ranging from transactional sales to end-to-end project delivery.

Low Voltage business: Number 1 Worldwide in Low Voltage and Building Automation

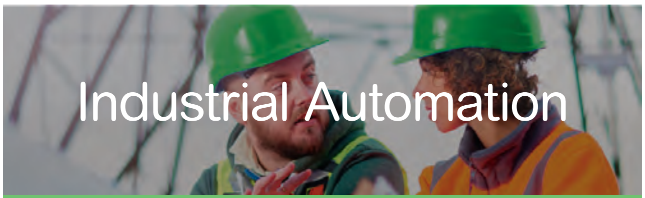
Low Voltage ("LV") electrical distribution products and solutions address the needs of all end-markets from residential to commercial buildings, spanning across industries, infrastructures and data centers. The offer portfolio is extensive and includes: protection functions (such as circuit breakers), 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. EcoStruXure Power, the IoT-enabled power management solution of Schneider electric, enhances connectivity, real-time operational reliability and smart analytics for low and medium voltage architectures in all end-markets.

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. EcoStruXure Building, the open, collaborative smart building IoT platform, combines building management software with hardware and services, to maximize efficiency and comfort while reducing energy costs up to 30%.

(1) Low Voltage was previously named Building and Secure Power was named IT.

Secure Power business: Number 1 Worldwide in Critical Power and Cooling

The Secure Power ("SP") 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 3 phase Uninterruptable Power Supplies ("UPS"), plug-in surge protection, IT enclosures, power distribution units, security and cooling systems, services and IT Facility management software.



Industrial Automation business: Number 2 Worldwide in discrete and machine automation Number 4 Worldwide in process automation

The Industrial Automation business scope includes Process, Hybrid and Discrete Automation, providing comprehensive products and solutions for the automation and control of machines, manufacturing plants and industrial sites. The offer is based on smart connected devices such as discrete sensors, motion systems, and world leading positions in push buttons and signaling as well as motor control applications based on leading ranges of frequency converters (Altivar) and motor starters/contactors (Tesys). The business includes a full range of comprehensive edge control systems and software such as distributed control systems (Foxboro Evo) and leading safety systems (Triconex), machine and process control (PLC Modicon) and human-machine interface ("HMI") operator panels. The Industrial Automation business also provides an innovative range of software for design, operation and maintainance of the industrial processes. This includes modeling/simulation (SimSci), supervisory control systems (Wonderware) and asset management (Avantis) software, addressing the full life-cycle of the industrial assets for IIoT-ready solutions. Industrial Automation's software and apps offer is addressing autonomous machines as well as complete processes to improve productivity and energy efficiency, leveraging the Group's connected offer for power distribution to deliver a complete automation and power solution.

(1) Medium Voltage was previously named Infrastructure and Industrial Automation was named Industry.

2.2 Serving 4 attractive end-markets

Schneider Electric serves customers in 4 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 must 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. EcoStruxure™ Building unlocks value across the building ecosystem to meet the requirements of building owners, real estate developers, system integrators, facility managers and building occupants.

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 decentralized renewable energy sources on the grid causing more stability concerns. This market also faces changes in regulations, particularly those regarding demand response and prosumer integration in the energy system, 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 system operators, prosumers, water utilities, the owners and operators of transportation and oil gas infrastructure and municipalities.

Industries and machine manufacturers

Our energy and automation solutions enable us to serve almost all segments of the industry and machine manufacturers market, including the refining, petrochemical and oil & gas industries, mines, cement plants, water & waste-water industry, the food-processing industry and material handling and packaging machines. Energy and operational 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 digitization of professional and personal activities. With the development of internet giants, cloud computing the physical infrastructure of data centers tends to be increasingly the business of dedicated players with high performance expectations, while the need for faster, more localized data is driving the need for Edge computing. Thanks to EcoStruxure™ for Data Centers, Schneider Electric is in a unique position to deliver a full solution of connected products from Electrical distribution, Building management systems to IT space, managed by integrated supervision software enabling advanced monitoring services.

2.3 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 is 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

Over 40% of the Group's total sales goes through our privileged Distributor partners, which support us in making our products accessible in stores, either off-line or online, in 190 countries all over the world.

Our Distribution partners encompass 4 types of players: large international groups, such as Rexel and Sonepar; electrical wholesalers and generalist distributors, such as Graybar, Zhongyeda Electric, CED Edmunson; and local players; as well as IT specialists, such as Tech Data and Ingram Micro. In addition, the Group uses specialized distribution channels for highly technical products such as automation solutions and industrial software, access control and security products.

Schneider Electric assists its distributors in advising their customers and helping them benefit from our technical innovations. To maintain a high-performance network, the Group works hand-in-hand with distributors on supply chain improvements, technical training and joint marketing actions. With e-commerce growing fast, Schneider Electric is present in all our Distributors websites and ensures we offer our key customers a seamless O2O (Online-to-Offline) experience.

We also work with key DIY Retailers, such as Home Depot and Lowes in the USA, Kingfisher in the UK and Saint-Gobain Distribution in France, to ensure our leadership in the Home Improvement and Renovation market.

Other intermediaries & partners

Panel builders

Panel builders build and sell electrical distribution or control/monitoring switchboards, primarily for the building, 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 35,000 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 specialize in installation equipment and systems and designers.

Electricians & DIY stores

Electricians design and perform electrical installations, primarily in residential and small non-residential buildings. They are therefore our key customers and we have one of the most comprehensive networks of electricians worldwide. Schneider Electric helps electricians to operate more efficiently through a suite of training, technical support and digital tools, like the app "My Schneider Electic".

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 networks of electricians worldwide.

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

All of the partners mentioned above contribute their own added value to 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 using 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 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 leaders in these segments, and works closely with over 15,000 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;
- 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:

- 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 & Beverages, 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 & Wastewater 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, "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 the highest quality services.

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.

2.4 Competitive landscape

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

- **low voltage and building automation:** ABB, Siemens, Eaton, Legrand, Johnson Controls;
- **medium voltage distribution & grid automation:** ABB, Siemens, Eaton, GE;
- **discrete and process automation:** Siemens, Rockwell Automation, ABB, Emerson, Honeywell, Yokogawa;
- **critical power & cooling for IT and non-IT applications:** Vertiv, Eaton.

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

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:** around 100% of net profit converted into free cash flow.

Across the business cycle capital efficiency targets:

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

(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 cannot be forecast.
(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.

4. Company history and development

4.1 History

From its beginnings in steel during the Industrial Revolution 180 years ago, to electricity and, more recently, energy management, the Group has undergone 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, 2 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, involved in the electricity sector since 1920.

1981-2001

The 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 2000

A Strategic Transformation

At the turn of the **2000s**, Schneider Electric radically rethinks its growth strategy, setting itself 3 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 leads 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 the Digital Transformation of Energy Management and Automation

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 turning Schneider Electric into a key player in the oil, gas and mining industry, as well as in the development of energy efficiency and the 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 3 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 2 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 2017, Schneider Electric further optimized its offer portfolio to strengthen its focus on core businesses and drive the Group's performance:

- in January 2017, Schneider Electric announced it has acquired the remaining 26% stake in Luminous Power Technologies. The Group now holds full ownership of Luminous Power Technologies, a leading power back up and home electrical specialist in India;
- in June 2017, Schneider Electric announced it has finalized the sale of Telvent DTN to TBG AG. Telvent DTN is a leader in providing information services, supply chain connectivity tools and decision support solutions in agricultural, energy and environmental industries;
- in October 2017, Schneider Electric announced it has signed an agreement to acquire Asco Power Technologies, a leader in the Automatic Transfer Switch ("ATS") market.

4.4 Transformations through Company Programs

Schneider Electric's company program

At Schneider Electric, we deploy strategy through a structured framework called our Company Program. Our Company Program comprises 5 pillars: Do More, Digitize, Innovate, Step Up and Simplify, which provide all employees with visibility of our annual and long-term priorities. Under each of the pillars is a set of broad transversal transformations that help Schneider achieve growth for our company and customers.

DO MORE

Create more opportunities for our customers and for ourselves

DIGITIZE

Digitize for our customers, for efficiency and simplicity

INNOVATE

Surprise our customers with innovation, to make their lives simpler and better

STEP UP

Our customers get great service because great people work at Schneider

SIMPLIFY

Simplifying our work makes the difference to customers

1. **Do more for customers to create more opportunities for them, and for Schneider Electric**

   This initiative aims to bring more value to customers and business to partners, more products and services, better systems, and a sustainable and connected supply chain. To continue to drive growth, the initiative also focuses on launching new innovative offers, increasing the effectiveness and impact of marketing spend, and increase market influence under the Sales and Marketing transformation.

2. **Digitize for customers, for efficiency and simplicity**

   With EcoStruxture as a platform, the aim is to accelerate and scale the digital journey, generating new customers, channels to market, offers, and sources of revenue. 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.

3. **Innovate to support growth and sustainability**

   The innovate initiative will focus on delivering the right products and solutions for customers in a focused and short timeframe. In addition, Schneider Electric will remain a partner of choice in sustainability, in its innovations and its operations, and will continue to measure its progress through the Planet & Society Barometer 2015-2017.

4. **"Step Up" people to make Schneider Electric a great place to work**

   This initiative focuses 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 commitment to diversity and workplace satisfaction.

5. **Simplify operations for increased efficiency**

   Simplifying work and operations makes the difference to customers. The Group aims to simplify its management setup to make the company leaner, further increase supply chain productivity, optimize R&D efficiency and solution execution and increase sales force efficiency.

Schneider Electric's company program shows strong results

2017 marked the third year of the Group's current company program and showed strong positive results. The Group met most of the targets set with several major milestones being achieved.

Within our Do More initiative

- More products: product revenues up +4.3% in organic terms FY17, with 100+ launches in 2017.
- More software: industrial software sales are stable with Q4 slightly up. The transaction announced with AVEVA provides a single software portfolio across the asset lifecycle for continuous & hybrid processes.
- More services: High single-digit growth in FY17 orders; +6% organic growth in Q4 revenues

Within our Simplify initiative

- Accelerated efficiency through around €650 million in gross support function cost reduction plus industrial productivity in 2017 (around €1.9 billion since 2015).

Within our Digitize initiative

- The number of connected assets increased +25% vs. 2016.
- Unique connected customers doubled vs. 2016.

Within our Innovate initiative

- The Planet and Society Barometer exceeded the 2017 target, with a score of 9.58/10. Sustainability has been recognized externally through numerous awards for our long-term commitment to environmental dimensions.
- Numerous launches of products, control platforms and software within the EcoStruxure architecture.

5. Research & Development

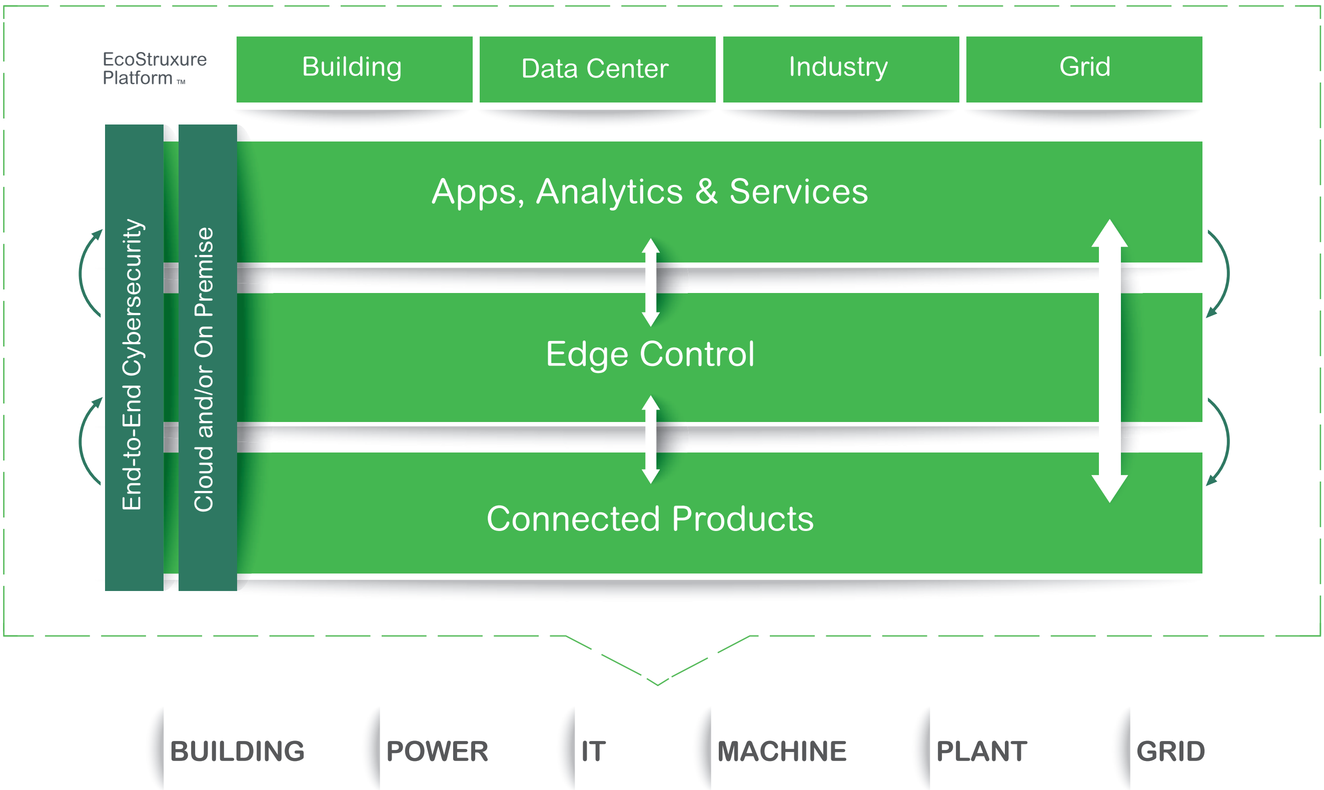
Innovation is key to our company's growth. Schneider Electric has had a history of innovation over the past 100 years.

Changes in our world are more profound than ever. New technologies, enabling distributed and connected energy for the first time, challenge us to redefine the way we live our lives. Schneider Electric invents technologies that will transform the places where we live, work, and play. As the global specialist in energy management and automation, we create connected technologies that reshape industries, transform cities and enrich lives. At Schneider Electric, we call this Life Is On. Life Is On when life is energized, efficient and connected. And life gets richer and more sustainable when energy gets safer, more reliable, and more efficient. Our promise is to make sure Life Is On for everyone, everywhere and at every moment.

Schneider Electric shares its expertise in energy management, industrial automation, and process efficiency to help people connect to an always-on world. Since 2016, EcoStruxure™, which is Schneider Electric's IoT-enabled open and interoperable system architecture and platform, is delivering enhanced value around safety, reliability, efficiency, sustainability and connectivity for our customers.

The Internet of Things (IoT) is simply the inter-networking of physical devices to collect and exchange data via internet protocol (IP). The true power and applicable value of IoT becomes evident when it is connected to the 5 emerging technology transformations that accelerate our capacity to converge OT and IT systems: mobility, cloud, sensing, analytics and cybersecurity. With EcoStruxure™, we continue to leverage these advancements to deliver innovation at every level - from Connected Products to Edge Control to Applications, Analytics and Services. We deliver our innovative solutions through tested and validated future-proof reference architectures that enable the design of end-to-end, open, interoperable and connected systems.

Our EcoStruxure™ platform enables design and operation of connected systems at scale with best-in-class security built around 3 core capabilities:



During 2017 the Group launched numerous innovative offers across its Businesses: Industrial Automation (Industry), Medium Voltage (Infrastructure), Low Voltage (Building) and Secure Power (IT). There is a clear value proposition that is now built around our 6 EcoStruxure™ domains. All the EcoStruxure™ domains were showcased during our Innovation Summit, in Hong Kong, in September 2017.

Several technology leaders participated in a workshop on how R&D can innovate faster and better. They concluded the following:

1. Ensure customer intimacy and insights are a part of the R&D culture;
2. Improve accountability through improved project management and governance;
3. Leverage R&D competencies in line with the R&D footprint diversity;
4. Introduce lean and agile methodologies to the traditional Offer Development Waterfall Process;
5. Evolve the current Offer Introduction Process to the Winning Offer Launch Process;
6. Practice open innovation with start-ups, universities and collaboration with partners;
7. Ensure consistency with respect to data, in all EcoStruxure™ domain architectures.

These findings will be used to improve the way we perform R&D at Schneider Electric in the years to come.

5.1 Delivering truly innovative solutions

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

Buildings

Schneider Electric keeps innovating and investing in the traditional core of its business. In 2017, a very disruptive Air Circuit Breakers offer was introduced. The new Masterpact MTZ is the first ever IoT Air Circuit Breaker, combining legendary reliability with unpreceded robustness to adapt to harsh environment with a set of new advanced functionalities enabled by digitization. In particular, the Masterpact MTZ embeds certified class 1 energy metering, which is making it unique in its category. Natively Ethernet connected, it simplifies the electrical installation, optimizing uptime and reducing operations costs, which is very well adapted to critical applications. This offer is a key pillar of EcoStruxure™ Power, enabling edge connectivity and apps/analytics service offers. It is completely future ready thanks to its digitally modularity: it can be upgraded and enriched at any time in the life of the electrical installation, thanks to downloadable digital modules adapted to each end-user application.

In 2017 Schneider Electric also introduced a new platform of molded case circuit breakers (MCCB)'s, deployed as Compact NSXm in IEC markets and PowerPact B in UL/CSA/NEMA markets. This new range offers the best performance versus size ratio on the market and full discrimination with Compact NSX and Acti9, confirming the leadership of Schneider Electric on the core values of Electrical Distribution. Their Everlink Power connections are patented, ensuring cost effective and safe connection thanks to creep compensation. The range is introduced with a complete range of accessories covering all types of applications and mounting modes. It also includes a unique version with built-in Earth Leakage protection up to 160 A. This new range integrates perfectly in all Schneider Electric switchboard designs (Din Rail mount ready) enabling space saving up to 25%. PowerPact B and Compact NSXm are very suitable for building, industry, machine, infrastructure and data center applications.

PowerTag is the first solution in the world which gives the facility manager or electrician the ability to make their electrical panel digital within 30 minutes. This product, which is now launched worldwide, offers huge flexibility and simplicity, making it unique and cost effective. This is the only accurate energy sensor that is self-powered and wireless communicating. It can easily be added to any miniature circuit breaker (MCB), not only to monitor the energy consumption and but also to track critical equipment. In a world where we must deliver more decarbonized and more reliable energy, PowerTag opens the door for a new world of digital opportunities. We can now connect all types of buildings and infrastructure sites to the Schneider EcoStruxure™ digital platform easily. And thanks to PowerTag, residential panels are also becoming digital, solar-ready and EV-ready.

Schneider Electric EcoStruxure™ Fire Expert is a new online application capable of creating a totally new, recurring revenue stream in the fire detection business. Being totally a digital software offer, the profit level is much higher than with traditional fire detection offers. This online application is based on Value Stream Mapping, giving unique value to most of the people involved in the fire detection system lifecycle. This is a game changer in this industry, by offering subscription based system extensions (licenses).

There have also been digital innovations in the 'Wiser' line of products with the introduction (in certain countries) of Wiser Light connectable switches, dimmers, and relays, Wiser Door connected door entry systems and Wiser Heat boiler control and radiator control for multi-room heating systems. Schneider Electric has also introduced Sequence 5, a luxury range including connectivity capabilities. Other offers include new innovations in AvatarON and Odace, which all enable connectivity.

In Enclosures, last year the Group invented Derbe, a power control center for distributed energy resources in buildings. It is scalable and future-ready, providing smart and optimized power and energy management to achieve your savings, sustainability and resiliency goals. A new busway connectivity system was also launched with thermal monitoring capability to follow busway's temperature and support predictive maintenance (especially for data center customers).

Utilities & infrastructures

With more decentralized generation, 2 way flow of decarbonized energy and new demand profiles from active consumers, energy communities and EV, Utilities must digitize to optimize flexible energy resources. By leveraging the Internet of Things, integrating IT and OT systems and consistently managing all data, EcoStruxure™ Grid is enabling utility digital transformation by providing comprehensive IT/OT utility solutions.

EcoStruxure™ ADMS is the core integrated application with new IT/OT functionalities like DERMS (Distributed Energy Resources Management System), Demand Response, Energy Storage, critical in the evolving energy system environment.

In order to manage the Group's EcoStruxure™ Grid and Power ambition, the 2017 plan was a massive move towards digital switchgear both for private and utility markets. Schneider Electric has been released a new range of protection relay Easergy P3 and a new Remote Terminal Unit Easergy T300.

Easergy P3 is the latest modular solution for protecting, controlling and monitoring medium voltage assets including feeders, motors, transformers, generators and capacitors in the power networks with advanced communication, cybersecurity and latest compliance with the IEC61850 standards delivering unparalleled flexibility and configurability, while at the same maintaining ease of use, commissioning and reduced total lifecycle cost. It is designed for unparalleled efficiency, greater connectivity and enhanced safety to allow panel builders, contractors and partners to save time every day, whilst helping to ensure that critical assets and personnel remain protected. With our unique easy-to-use One-Box design, Easergy P3 includes more than 40 protection functions and 9 communication protocols to reduce variation, specification, ordering and delivery times.

Easergy T300 Remote Terminal Unit (RTU) is a modular hardware and firmware platform and an application building block for medium voltage and low-voltage public distribution network management and for distribution automation. It offers a single solution for control and monitoring, from a simple pole-top device to a large MV/MV or MV/LV substation. Combined with its powerful communication capabilities in terms of protocols and media support, it can be deployed to enable a variety of applications including distribution grid self-healing applications, fault current detection with centralized and decentralized feeder automation and transformer medium voltage and low voltage monitoring. The industry-leading RTU complies with the latest 61850 standards with advanced cybersecurity features complying to IEC62351 and IEEE P16866 and provides advanced power quality information complying to various IEC standards.

Then, being the leader in secondary distribution, the Group has been enhancing its star offers with the smart RMU for utilities, the connected SM6 for buildings and a new generation of circuit breaker.

Smart RMU is the combination of the Group's core product RM6 with the new T300 RTU, which enables the new Utilities challenges (network availability, integration of distributed energy, energy quality and efficiency, and obviously cost and asset management optimization) to be met. With the advantage of compactness, and integration of power metering and fault detection, the Smart RMU is delivered and guaranteed as a pre-configured, pre-tested solution, thus ensuring peace of mind for the customer.

Connected SM6 combines its renowned efficiency and safety with a best-in-class digital experience. New IoT capabilities have been added to this proven medium voltage switchgear in order to enhance the customer experience. This IoT-ready switchgear not only allows condition monitoring of the asset 24/7 to prevent downtime and boost operational efficiency but also enhances safety with fast embedded arc detection.

Easypact EXE is the latest addition and the first product of Schneider Electric's new generation of Vacuum Circuit Breakers. Based on a limited number of global bricks, it offers increased reliability for better safety, improved flexibility for an easier integration, and enhanced modularity for more partner added value. Supply chain efficiency has been optimized to offer more reactivity and a shortened customer logistic offer with Easypact EXE. Ready to be integrated into EcoStuXure and ready for online configuring and ordering, Easypact EXE brings customers into an enhanced digital experience.

Industries & machine manufacturers

As end users and OEMs re-examine their automation and operation management strategies to take advantage of the Industrial IoT to enable operational excellence and improve overall business performance, EcoStruxure™ architectures for Machines and Plants play a key role in managing convergence between information technology and operational technology through Connected Products, Edge Control and Applications, Analytics Services while embedding natively cybersecurity features.

The Modicon M580 Ethernet programmable automation controller (ePAC) possesses industry-leading processing speed and memory, plus stronger embedded cybersecurity. Its core Ethernet capabilities allow seamless, faster, enterprise-wide access to operating data. For the hybrid industry, it is considered the highest-performing PAC in the marketplace – designed as the right controller for the IIoT and beyond.

Modicon M580 ePAC is the controller which, especially when applied with EcoStruxure™ Hybrid DCS, can help manufacturers achieve better, measurable, earlier ROI and up to 100% returns on their project investments in less than 3 months.

For switching and controlling, Schneider Electric has just launched a new Tesys D Green contactor offer. This new line of contactors is not only compliant to new REACH and RoHS standards, but also energy efficient, with the lowest power consumption in the market. It is directly connected to PLC and digital controllers, in order to really optimize the automation system of our OEM customers, while reducing the number of commercial references by 10. Lastly, the Group also integrated the Smart Motor protection relay Tesys T offer in EcoStruxure™ Plant, providing all necessary libraries for our Oil & Gas, Mining Minerals Metals Water & Waste Water customers.

The Altivar Process is the next generation of variable-speed drives, designed to deliver IIoT benefits. A smart, connected device with built-in intelligence to gather data and share information to the enterprise level, the Altivar Process can improve operational efficiency, profitability and reduce total cost of ownership (TCO).

Altivar Process can minimize TCO, increase profitability, and help customers save 8% in maintenance costs. Productivity can be improved up to 20% by maintaining operations at the best efficiency point (BEP), utilizing built-in advanced system management with unmatched visibility and control – giving operators complex production insights clearly and intuitively.

The Group's innovative augmented reality software application for mobile devices uses the device's camera to recognize cabinets and machines and then superimpose real-time data and virtual objects onto them, giving operators and technicians immediate access to relevant information and guidance to reduce downtime and improve maintenance efficiency. The cloud design tool enables OEMs to develop custom augmented reality application for machines. Operators can safely be guided through maintenance operation, visualize key contextual data and find relevant information in a minimum of time.

Schneider Electric connectivity solution provides secure remote access to our customers allowing remote programming and diagnostics. Maintenance and service operations can be executed from any PC independently from the operator's location. This offer allows to create a virtual connection between the expert and the machine/devices, easing the commissioning and reducing the time to identify any potential problems. Thanks to this solution travel needs and machine downtime are reduced, while experts' availability increases.

Cybersecurity concerns continue to expand in the industrial sector, with directed attacks creating losses for companies and disruptions for the public, with undirected or semi-directed attacks such as ransomware moving into industrial control rooms and with a general raising of the level of risk awareness in boardrooms.

In response, the Group continues to increase the security and differentiation of its offers with IEC62443 certifications for the Triconex Safety system and 4 development sites, certification of the market-leading secure ePAC for critical systems in France and China, while continuing the leadership work with governments and standards bodies (ODVA, OPCF, etc.) to shape the future of industrial security as it moves to the IIoT and secure cloud.

The strategy of combining improved offer security with best-in-class offers from partners continues with Claroty networks being added as cybersecurity partners within the Collaborative Automation Partner Program as well ongoing work with both start-ups and leading security companies around the world.

Data centers & networks

Large data center builds continue to see the highest growth in this segment as Internet giants and colocation providers continue to build out capacity to support the new digital business and personal lifestyle that is generating Big Data through high bandwidth content and IoT. These include centralized public cloud data centers, as well as regional public clouds that are located in urban areas. Enterprise data centers are now going through a modernization phase with digital transformation and have stabilized. Schneider Electric specializes in back-up power, power distribution, cooling, IT racks, digital services and software management in the power, IT and building domains. The Group's solutions are used to optimize energy and operating costs for data center operators as well as delivering the desired redundancy and availability.

Riding the wave of data center builds, next generation 3-Phase Galaxy UPS were launched into the market last year with lower capacity versions set to enter the market this year, providing unique energy efficiency and power scalability features. Large UPS lifecycle costs and physical footprint are further minimized as Lithium-ion batteries start to become more popular. To meet the rapid deployment challenges of the colocation customers in the IT room, an innovative solution called HyperPod was introduced to provide a fully contained and secure architecture for rack-based IT deployments. It is designed with the future in mind and will support today's IT equipment as well as tomorrow's. Schneider Electric will continue to evolve the HyperPod system with innovative power, cooling and software management.

Data center services continue to be a growing customer need and Schneider Electric has taken major steps in expanding the Group's digital service offers to provide the benefit of reduced response time through automation of systems. EcoStruxure™ IT Expert Mobile insights was launched to provide monitoring and alerts to any device. EcoStruxure™ IT Advisor Remote service provides recommendations through analytics and direct linkage to our service bureau for expert collaboration and dispatch automation. Schneider Electric continue to expand its service bureau and data center operations staff.

Requirements for low latency, regional and local computing at the "edge" is an emerging trend. Such edge IT deployments support real-time control and deterministic data handling where data security and sovereignty are required. Schneider Electric expanded its range of packaged micro data centers that can be populated with computing equipment and shipped to the site as a turn-key solution for the local edge. Schneider Electric also develops a digital design tool called the "Local Edge Configurator" to fully configure micro data centers and has continued its partnership with Hewlett Packard Enterprise for edge applications, and are forming relationships with major IT vendors across the globe.

5.2 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 Partners with the launch of a new capital investment EUR105 million fund to finance innovative start-ups operating within the areas of energy, new materials and the environment, jointly subscribed by Alstom, Solvay and the European Investment Fund. In 2017, Aster raised EUR240 million to be invested primarily in Europe and the United States. Aster takes position as the leading venture capital fund dedicated to the energy transition.

Managing a portfolio of partnership opportunities

The mission of Aster is to purchase minority interests in innovative start-ups in the fields of energy and mobility based in Europe, Israel, North America and Asia. The scouting activities constitute a source of particularly productive partnerships and forge contacts with about 1,700 small and mid-sized businesses around the world each year. In 2017, a new investment was made, Habiteo (EUR2.5 million), joining the first 24 companies already in the portfolio, including Lucibel (FR), Iceotope (UK), Entouch Controls (US), OpenDataSoft (FR) and Ekwateur (FR). Aster has also recorded successful exits in 2017, notably with the IPO of Avantium and Digital Lumens (acquired by Osram).

Habiteo – EUR2.5 million investment in November 2017

Habiteo is a sales and marketing solution for real-estate developers. It helps them sell their properties faster by generating sales content (3D models, video clips, etc.), and manage their workflow and sales process on different channels to ensure a high-quality customer experience. The company was created in 2014 by Jeanne Massa. It has continuously improved its solution and now supports more than 150 real estate-developers in their digital transformation.

Identifying emerging trends and technologies and delivering relevant inputs

Aster is in touch with start-ups on a daily basis. This gives Aster a unique perspective on emerging technologies, customer needs and new market segments. The work is shared at 3 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 every year to Schneider Electric teams within relevant countries, businesses and corporate departments; and
- by publishing market reviews that are presented to Schneider Electric teams. This year once again, about 15 relevant topics have been covered and shared within Schneider Electric.

The Aster teams continuously improve the dedicated web platform that they have made available to all Schneider Electric employees to give them an exhaustive access to these resources, information and database.

Business Incubation at Schneider Electric

Schneider Electric and Aster have co-designed an active incubation model to bring additional innovation and growth drivers to Schneider Electric through ideas owned by its employees. This Business Incubation initiative will enable the creation of new businesses using business models and/or technologies which are not adjacent to current Schneider Electric business models or technologies. It's a bold enterprise which will allow better management of the dichotomy between Schneider Electric's performance focus and the risks associated with new ventures, notably by accepting VC-like success rates in a "fail fast" mode. Ultimately, the goal is to build new businesses which could assist Schneider Electric in the near future.

6. Organizational simplicity and efficiency

Schneider Electric is leading the digital transformation of energy management and automation. We make it possible for IoT-enabled solutions to seamlessly connect, collect, analyze and act on data in real-time, delivering enhanced safety, efficiency, reliability and sustainability.

Schneider Electric has transformed their organization to best serve its customers' which has accelerated its journey as an established global leader over the past decade. Under the current organization, with the focus of EcoStruxure solutions at the core and the launch of Schneider Digital, Schneider has a strong foundation to transform the digital landscape towards growth for both the company and its customers.

6.1 A customer-focused organization

Dual orientation – technologies and end-markets

Schneider Electric is organized into 3 business units. Each business unit is responsible for specific technologies and addresses targeted end-markets. The organization was designed to support our business models: transactional, equipment, projects, and services with strong technological leadership and close customer relationship.

- **Low Voltage & Secure Power** business scope includes low voltage, building automation and renewable technologies as well as critical power and cooling technologies for data centers and non-IT applications.
- **Medium Voltage** business scope includes medium voltage and grid automation technologies.
- **Industrial Automation** business scope covers industrial automation, control and sensors technologies.

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

Several 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 3 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 7 support functions, now known as Global Functions.

Our Organization is structured around 3 Core Principles…

Specialize	Mutualize	Globalize
Because this is how we bring value to our Customers	**To maximize Cross-Selling across Businesses**	**Whenever the approach is Global and must be ONE**
3 Global Businesses • Global P&L ownership • Focus on Offer Creation & Business Models • Drive Services, Segments, Solutions & Software	1 Zone or Country President • Market Coverage engine to maximize cross-sell across Businesses • 1 Face to SE employees and authorities • Mutualized Back Office for cost and Quality	1 Global Supply Chain • Tailor, Optimize, Deliver 6 Global Functions • Leverage our scale and ensure efficiency

- **Specialization:** In each country, each local sales force is organized under local Business VPs as soon as it reaches critical mass. The aim is to deploy specialized front office per business in each host country to respond more effectively to customer demand for specific expertise. Each business 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 projects can consist of products coming from different business units and in order to define a single point of contact for customers, each business unit is responsible for projects 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 (which is comprised of 6 international zones: United Kingdom & Ireland, Northern Europe, Italy & CEEI, CIS, DACH, Iberian) and International Operations, which is comprised of 5 international zones (South America, East Asia & Japan, Middle East and Africa, India, and Pacific). Each of these regions has empowered Zone Presidents and Country Presidents, which are appointed in each country to be the custodians of 4 businesses in their countries: Industrial automation, Medium voltage, Low voltage and Secure power, 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 Zone or Country President's supervision and can include multiple local support functions ranging from administration to project execution, depending on the situation. In addition, the Zone and 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 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 and Human Resources), Strategy, Digital (including information systems) and Global Marketing functions are now included within the Global Functions. The global Supply Chain continues to focus on the areas of global productivity, customer differentiation and customer satisfaction.

  Globalization concerns the 6 support functions, now known as Global Functions:
- Finance;
- Marketing;
- Global Supply Chain;
- Human Resources;
- Strategy;
- Schneider Digital.

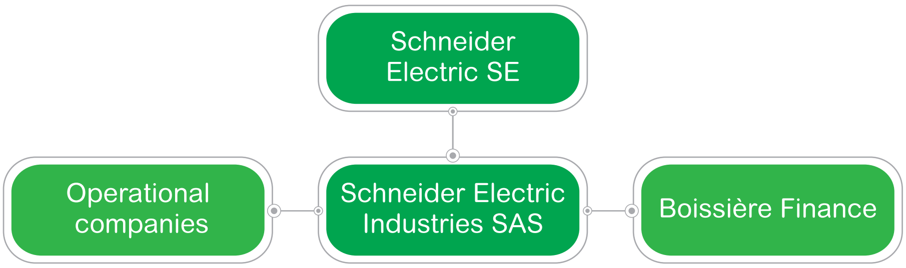
Schneider Digital

To operationalize and accelerate our digital transformation journey, Schneider Electric launches the new Schneider Digital organization. Schneider Digital unifies our transversal activities under 1 organization: Information Process & Organization, Internet of Things, Digital Transformation as well as Digital Customer Experience, which is jointly led with Global Marketing. Under the Schneider Digital organization, there are 6 practices fully responsible for architecting and delivering their own set of end-to-end capabilities, platforms and programs to reach our desired business results: IoT & Digital Offers, Digital Customer Experience, Digital Engineering, Digital Sales & Support, Digital Data Hub, and Enterprise IT. The 6 practices are supported with transversal functions with transversal governance roles: Digital Architecture, Digital Convergence and M&A, Finance and Digital Portfolio, Digital Security, Digital Alliances & Ecosystems, Digital Transformation & Stakeholder Communities, and Executive Governance.

Geographic dimension and legal structure

The Group's goal is to establish, wherever 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. 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 208 plants and 98 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 4 key objectives, in order of priority:

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

A significant 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 Performance System (SPS) has been rolled out in all plants to substantially and continuously improve service quality and productivity. The program also takes into account our 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 applicable regulatory requirements relating to the environment. A continuous assessment system to ensure compliance with regulations 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 before regulations require us to do so. Our plants and logistics centers with more than 50 employees are ISO 14001 (environment) certified, and almost half of these sites have also achieved ISO 50001 (energy efficiency) certification. We implement an integrated management system that also covers Quality (ISO 9001) and Health and Safety (OHSAS 18001). In 2016, Schneider Electric continued implementing its Environmental and Health & Safety strategies for the 2015-2020 period, focusing its efforts on approximately 10 priority areas. These place increasing importance on eco-design, making it systematic and exhaustive, on our efforts to reduce CO_2 emissions, on our circular economy goals for our offers and for the resources used, and on our ever-increasing energy efficiency objectives. We strive in particular to constantly boost our customers' capacity to objectively assess the environmental added value our solutions offer them (energy and CO_2 efficiency, lifespan and ease of repair, etc.). We take into account customer expectations concerning our products' environmental profile, information transparency and access, and even end-of-life product management.

In terms of Health and Safety, a range of programs are in progress to boost the "Safety Culture" of each of our sites and each of our employees, in particular through "safety visits" training and recognition of good practice. We conduct Health and Safety audits on each of our sites in order to assess practices, performance, governance and culture. Monthly and quarterly steering committees are held with the company's top management in order to track progress and make the necessary decisions for continuous improvement.

These programs cover our entire value chain, including R&D, purchasing, manufacturing, logistics, marketing and sales.

Schneider Electric has implemented a policy to systematically identify and reduce its industrial risk in order to secure maximum service to its customers and to minimize any impact of disaster, whether it is internal in nature (fire) or external (natural disasters). This policy relies on local actions to remove the identified risks following audits led by an external firm recognized by insurers, as well as an action plan for the continuity of production. If, after corrective actions, the risk remains too high, then the activity is repeated at another Schneider Electric site. Since 2014, this process has been extended to single-source suppliers in order to reduce the risk level in 5 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

Since 2012, Schneider Electric has 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.).

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, which is structured around 8 regions (Europe, CIS, China, India, Pacific, Asia, North America, South America) and groups all of Schneider Electric's industrial activities together in these regions. In addition, this also led to the vertical integration of all Purchasing activities to simplify and unify its contact with suppliers.

In the 2015 to 2020 period, 9 initiatives are under implementation to continue to transform the supply chain at every stage from suppliers through to end customers:

- 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 supply 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 supply chain for growth activities;
- management of the release of new product offerings.

The aim is to make the Group's supply chain a positive differentiating factor for our customers and, in turn, to gain a competitive advantage over our competitors.

The digitization of the supply chain

Since 2013, Schneider Electric has put emphasis on digitization as a way to accelerate and intensify its transformation, and this year Global Supply Chain has launched TSC 4.0, adding 6 digital accelerators to the previous program, to speed up our transformation thanks to increasing digitization.

Source, Make, Deliver, Plan, Care and Innovation are the 6 digital transformations just launched to target a full end to end digital supply chain, to optimize our efficiency at the same time we bring more value to our customers.

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 while also 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 is using our EcoStruxure™ solutions and Schneider Electric will have about 100 of industrial sites by 2020 as real show case for customer to demonstrate that EcoStruxure™ is one of the best in class solution to optimize Process and Energy Efficiency, but also Asset reliability. TSC 4.0 fully meets the priorities of the Group's industrial strategy by targeting customer satisfaction first and foremost 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 2017, Gartner, a leading IT research and advisory firm, ranked Schneider Electric's supply chain 7th in Europe and 17th worldwide, an improvement of 15 and 49 places respectively in 2 years.

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

6.3 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 section 8 of this chapter "Internal control and risk management", Schneider Electric regularly analyses the risks and threats it faces, which has revealed 6 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 42% 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 the Group 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 1.8 "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).

Nevertheless, these measures implemented by Schneider Electric, might be insufficient to counteract these risks.

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

There are major transformations impacting the markets in which Schneider Electric operates. This includes IoT and its major accelerators of mobility, the cloud, pervasive sensing, bit data and analytics. Customers expect ever more intelligent 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 cybersecurity. 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 smartphones and allow development teams to seamlessly complement products and solutions with state-of-the-art mobile applications.

Regarding cybersecurity, a specific investment program has been launched to develop and deploy technology and process capabilities through the development lifecycle. Specialists embedded in the main development teams/centers are involved throughout all phases of the R&D development activities to help make products and solutions more inherently secure. A constant monitoring of emerging threats has been implemented in partnership with specialized firms and specific vulnerability management and incident response processes have been established to support customers of Schneider Electric solutions.

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 8,500 R&D engineers, both to reinforce its traditional domains of expertise and develop new ones. Leveraging Open Innovation through a global network that extends into universities, research centers, partners and start-ups compliments 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 2017 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 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 6 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 5 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 7.1% at December 31, 2017, a slight decrease compared to the 2016 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 Low Voltage (*Building*), Medium Voltage (*Infrastructure*), Industrial Automation (*Industry*) and Secure Power (*IT*) businesses.

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 the best talent, 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 its trajectory of growth. Future continued success depends in part on the Group's ability to attract, hire, onboard and retain the best qualified personnel, especially in the areas of technology and energy efficiency solutions. This ability can only result from a strong employee-centric People Strategy and its ability to prepare its workforce for the future.

The Group's People Strategy is strongly anchored in its Leadership & Culture 2020 vision, ensuring that we have a unique way of leading and working together, establishing a strong bond between employees and the company. The cornerstone of this ambition is the experience of employees throughout their journey at Schneider Electric. The People Strategy aims to create a culture that is a differentiator for its clients: focused on speed, customer service and ease of business. This is achieved thanks to our focus on learning, openness, transparency, and inclusiveness.

In this framework, the Human Resources Function is valued as a business enabler, bringing efficiency and quality to the employee experience. Our entire People Strategy defines the transformations we want to accomplish, one of them being to increase our diversity and create an inclusive culture. We believe it is in meeting the expectations of our customers through ongoing innovation. Our multi-hub organization with senior leaders in every continent has been created to facilitate the growth of talent, and to give every employee the same chance of success in any part of the world.

The Group's acquisitions and growth ambitions have increased its global presence and internationalized the profile of its workforce. This, coupled with structural reorganizations, has highlighted the importance and necessity of offering equal opportunities to everyone, everywhere. Diversity & Inclusion efforts at all levels of the organization are therefore pivotal to create a common Schneider Electric identity. To achieve this ambition, the Group is progressing several areas, including its commitment to United Nations Women HeForShe movement: and gender pay equity. In 2017, the Group launched its Global Family Leave Policy, which is an industry-leading practice that is differentiated through its scope and reach. The policy provides time-off for key life stages like welcoming a new baby, taking care of sick or elder relatives, and mourning the loss of a family member

To nurture an innovative workforce and understanding that all employees are considered «Talent», the Group encourages its people to take ownership of managing their performance and career development. The Talent aspiration of the Group gives managers an enhanced visibility to plan for longer-term career development and succession to critical roles in the organization, while accelerating the development of high potentials. Our culture of systematically reviewing talent at every level of the organization gives fair opportunity to everyone to progress and for the Group to benefit from a circulation of talents. At employee level, taking ownership for their development and growth also means that they have access to a talent management system and development opportunities.

At Schneider Electric, we are immersing our employees in a culture of life-long learning from the moment they onboard the company. This is a culture where everybody learns constantly and builds new capabilities. Our objective is to cultivate people that are recognized as the best professionals in their industry. As a competitive advantage, our learning culture provides opportunities for everyone in the company to proactively further their professional development while leveraging high tech digital solutions to accelerate their time to knowledge, and provide a good user experience. To stay ahead of the game, employees are encouraged to turn learning into action and experiment with purpose

The Schneider Electric workforce is recognized as a high performing global team that enjoys growing the business of the company and beating the competition. The Group nurtures an environment where employees receive ongoing feedback, recognition and coaching. Our culture is distinctive in its speed and agility and its powered by an effective and flatter organization. Our empowered leaders are supported by a strong 'Leadership Academy' and build skills to evaluate and differentiate fairly, strengthening the way we manage performance.

Schneider Electric believes that well-being generates performance and performance generates well-being. The Company has embraced a well-being transformation with the ambition of building a company where our people make the most of their energy Understanding that well-being is a joint responsibility between the Group, its leaders and employees, we have implemented targeted actions under a holistic view that addresses the physical, social, mental and emotional spheres. As a result, we create a safe, secure, healthy, productive and flexible work environment. We leverage technology to be more collaborative, and have defined rituals that allows our employees to be more effective, especially the globally dispersed teams.

Having employee engagement at its heart, the Group has for the past few years regularly sought both blue and white-collar feedback through a bi-annual company-wide employee engagement survey. 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's Employer Value Proposition (EVP) enables HR professionals and leaders to become talent scouts, build 'talent mapping' capability, and a proactive external pipeline. Programs and initiatives under its People Strategy, coupled with a compelling EVP have led to the Group being recognized as an «Employer of Choice».

Work continues to be done in these and other areas so that HR is equipped to effectively deliver its EVP 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 the Group 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 its 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 the Group's products or harm its 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 property.

As in 2016, no broad product recall was begun in 2017.

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

Provisions for product risk totaled EUR445 million as of December 31, 2017 (see note 23 to the consolidated financial statements).

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

The Group's plants and products are subject to extensive and increasingly stringent environmental laws and regulations in all countries in which it operates.

To limit risks related to the environment, the Group started a process to continuously improve the environmental performance of its plants and industrial activities, as well as a process to review and monitor possible environmental risks. This program, known as CLEARR (Company-wide Look at Environmental Assessment and Risk Review), included 221 sites in 2017, each giving rise to the identification and review of historical or current potential environmental risks. These 221 sites were selected for their current and past industrial activities, and therefore the environmental risks that may affect them. Each CLEARR assessment was reviewed by an independent expert consultant, and each observation was discussed with the management of the site in question. Each of these sites then set an action plan, where required, and periodic monitoring (at least annual) is carried out.

"Due Diligence Phase I" analyses are triggered as required, to better classify the nature of the risks identified and confirm the likelihood and impact, in order to trigger actions or update the amounts of provisions to be reflected for accounting purposes.

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 EUR290 million as of December 31, 2017. If no risk has been identified in a given location, Schneider Electric will not estimate the financial cost of environmental risks. The Group expects its costs for environmental compliance programs to increase as a result of changes to existing environmental regulations and the introduction of new regulations.

In addition, since 1992 Schneider Electric has had a formal environmental policy in place aimed at improving the environmental performance of manufacturing and transport processes, promoting eco-design, and incorporating its expectations into the procedures it uses to select suppliers and materials, all in the name of environmental protection. The aim of this policy is also to identify, assess and prevent environmental risks in order to be in a position to comply with the different applicable environmental laws, including those in force in the European Union, (concerning its products: WEEE directives, RoHS and REACH regulation), China (RoHS China, etc.), the United States, India, Korea, Japan and in all locations where the Group operates. Regarding industrial activities, the Group decided to deploy ISO 50 001, ISO 14001, OHSAS 18001 management systems, worldwide and at each site. An Integrated Management System (IMS) is being deployed, bringing together these 3 management systems and the ISO 9001 quality management system, thus helping to drive efficiency and effectiveness. Moreover, more than 130 sites have already implemented an ISO 50001 energy management system.

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, local 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. This also applies to the ecosystem upstream of Schneider Electric's suppliers, who also operate within clear regulatory frameworks, and whose activities may be impacted, or even interrupted, in the event of failure to comply with local environmental rules.

Finally, the Group may be exposed to new risks related to recent acquisitions. In accordance with 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. In this context, and as was the case for past acquisitions such as Invensys, Asco - acquired in 2017 - and its industrial sites are subject to such assessments conducted by independent experts on a site-by-site basis.

7.3 Management of risks in relation to climate change

The Sustainable Development Department is in charge of implementing the Group's strategy in relation to all the components of sustainable development. Climate change represents altogether a risk and an opportunity for Schneider Electric's business. The processes aiming at identifying and assessing the risks related to climate change, as well as the diagnosis and the action plan towards reduction of emissions are described in section 3.3 of chapter 2 (page 98).

7.4 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, on premise and in the cloud, that are essential to the efficiency of our sales and manufacturing processes as well as platforms to enable Digital Offers such as EcoStruxure™. Failure of any of these hardware or software systems, a fulfilment 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, and incident response capabilities 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 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 several countries since 2008, and was deployed in France during 2017, with the United States planned to conclude in 2019.

In addition to the deployment of ERP systems, the Group is deploying various applications aimed at enhancing commercial experience, employee effectiveness and supply chain efficiency as well as enabling digital commercial offers such as EcoStruxure™. All applications are subject to certification testing attempting to remove system vulnerabilities. These systems are housed either in on-premise data centers managed by our service providers or are cloud-based applications.

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. Risk mitigation strategies are continuously improved including monitoring of legislative changes across country borders to maintain compliance with digital asset requirements.

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.

7.5 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, 2017, 88% 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 EUR21 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, 2017.

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 20 currencies are involved, with the US dollar, Chinese yuan, Singapore dollar, Australian dollar, British pound, the Hungarian forint and Russian rubles 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, 2017 (Chapter 5).

In 2017, revenue in foreign currencies amounted to EUR19.2 billion, including around EUR6.5 billion in US dollars and 2.9 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 minus EUR34 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, 2017.

In 2017, purchases of raw materials totaled around EUR1.9 billion, including around EUR900 million for non-ferrous and precious metals, of which roughly 53% 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, 2017, the Group had hedged positions with a nominal value of EUR153 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, 2017, the Group had access to cash and cash equivalents totaling EUR3 billion. As of December 31, 2017, the Group had EUR2.7 billion in undrawn confirmed lines of credit maturing after December 2018.

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 Baa1 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, 2017, 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, beyond a threshold 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, and for the majority of contracts, this event triggers a downgrading of the company's rating. As of December 31, 2017, EUR5.6 billion of the Group's financing and lines of credit had these types of provisions.

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

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

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

The future success of Schneider Electric depends to a significant extent on the development and protection of patents, knowledge and trademarks ("intellectual property rights"). Should a third party infringe on the Group's intellectual property rights, 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 matters are centralized and managed by this team for the whole Group, and in coordination with the other teams within the Finance and Control – Legal Affairs Department, which ensure that the Group's interests are defended throughout the world. The same approach and organization applies for the Group's brands portfolio.

7.7 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 those executives were responsible for certain of the alleged offenses and that some of the plaintiffs' claims were admissible. It also held that Schneider Electric and its Belgian subsidiaries Cofibel and Cofimines were civilly liable for the actions of those executives who were found liable. 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 expert in their entirety on the basis of a counter-analysis drawn up by Deloitte. Schneider Electric is paying the legal expenses not covered by the insurance of the former executives involved. A settlement agreement was signed with a group of plaintiffs and some of the remaining plaintiffs have appealed (i) parts of the March 2006 ruling and (ii) a ruling made in 2011 by the Court of First Instance denying the admissibility of some of the plaintiffs' claims.

The Brussels Court of Appeals delivered its judgment on June 26, 2017, declaring the plaintiffs' claims to be time-barred or ungrownded. Following this judgment, one of the plaintiffs decided to lodge an appeal on the grounds of procedural irregularity. The case is expected to be heard in 2018.

The main issue outstanding following the disposal of Spie Batignolles in 1996 was concerning litigation in France with SNCF Mobilité before the administrative court. The Group discussed the issue with SNCF and the dispute was settled amicably in 2016 at no cost for Schneider Electric beyond its own legal costs.

Although SNCF Mobilité is still in a legal dispute with some entities of the Bouygues group in the context of this case, it should not have any impact on this amicable settlement.

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, which stated that the Group had entered into agreements with the Iraqi state-owned entities between 2000 and 2004 under which surcharge payments totaling approximately USD450,000 are alleged to have been made to the Iraqi government. Schneider Electric Industries has been indicted in France in 2010 in relation to this report, then referred in May 2013, along with 13 other French companies, to the criminal court, which rendered its decision on June 16, 2015, discharging all the companies. However, the Bench appealed this decision, which will be judged by the Paris Court of Appeals in late November 2018.

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

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 predict 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.

7.8 Insurance strategy

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 those that 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 appropriate minimum credit ratings;
- optimization of financing for high-frequency/low-severity risks through retentions managed either directly (deductibles) or through captive insurance companies.

Liability insurance

The 3-year insurance program put in place on January 1, 2015 was renewed as from January 1, 2017 for a new period of 3 years. This program, deployed in more than 75 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, are covered by specific insurance programs.

Property damage and business interruption insurance

The 3-year insurance program put in place as of July 1, 2016 was continued in 2017. This is an "all risks" policy 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.

Assets are insured at replacement value.

Transport insurance

A new insurance program covering all risks of loss or damage to goods while in transit, including intragroup shipments, was put in place as from January 1, 2017.

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 2017.

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 high-frequency/low-severity risks through 2 captive insurance companies:

- a captive company based in Luxembourg provides Property Damage and Transport reinsurance worldwide as well as Liability reinsurance outside the USA and Canada. The total amount retained is capped at EUR20 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 EUR20 million in 2017.

8. Internal control and risk management

8.1 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;
- 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, as well as operating, fraud 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 61.

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.

8.2 Organization and management: internal control key participants

In 2017, 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 173).

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 business reviews with the Operating Divisions and Global Functions. These 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 review.

Internal Audit Department

The Internal Audit Department reports to Senior Management. It had an average headcount of 20 people in 2017. 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;
- expenses are properly engaged and monitored;
- correct integration and control of acquisitions is ensured.

Annual internal audit plans are drawn up based on a combination of a risk based and audit universe coverage based approach. The risk based dimension is embedding risk and control concerns identified by Senior Management, taking into account the results of past audits, the results of Key Internal Control self-assessments returned by the units and other indicators such as Corruption Perception Index and COFACE Country Index. 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. The management of the audited entities or the audited domains is requested to define for each recommendation an action plan aiming at implementing corrective actions. Measures are taken to monitor implementation of recommendations and specific follow up audits are conducted if necessary.

The audit reports and the implementation of its recommendations are distributed to Senior Management and to the President of the Audit Committee. A synthesis of the main take away and conclusions from the audit missions is presented to the Audit Committee for each of the committee session (5 times per year).

These reports are subject to regular exchange with the Group's auditors.

The Head of the Internal Audit and Internal Control has direct access to the President of the Audit Committee and meets her on a regular basis over the year.

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 other subject matter experts in line with the recommendation of the AMF reference framework;
- maintaining and leading a network of around 27 regional internal controllers who:
  - perform on-site control of the accuracy of self-assessments; perform management diagnosis missions and check the efficiency of remediation action plans implemented by the units within their geographic scope. After each internal control or management diagnosis mission, a report is issued setting out findings and recommendations for the attention of the persons in charge of the unit controlled,
  - follow implementation by the units within their scope of the internal control action plans defined following self-assessments, internal control or management diagnosis missions;
- maintaining and leading a network of around 11 local internal controllers who are responsible to support the local management on internal control topics and act as process owners for certain key areas such as the chart of authority, segregation of duties. This network will be extended step by step over the coming years;
- 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 continues to improve the internal control process and adapt its 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 procedures 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, the Tax and Legal teams 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 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 credit policy to be implemented;

- the distribution of rules for financial risk management and the security of incoming and outgoing payments;
  - define guidelines and contributes to the definition of Key Internal Control indicators relating to treasury and credit management,
  - review the related risks of complex projects as a subject matter expert,
  - select Group Tools for Credit, Trade and Cash Management;
- 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" chapter 1, section 7.

Operating Divisions and business units

The Operating Division management teams play a critical role in effective internal control.

All Group units report hierarchically to one of the Operating Divisions, which are led or supervised by an Executive Vice-President, supported by a SVP Finance.

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 business unit, 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 every month.

Global Functions and Division (Human Resources, Supply Chain, Information Systems, etc.)

In addition to specific processes or bodies such as the Group Acquisitions Committee (see "Risk Factors" chapter 1, section 7) 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.

A Technology Council, namely the Chief Technology Officers (CTO) board, grouping all Divisional and Business Chief technology officers as well as key Corporate Technology Functions involved in Offer Creation & Research, meets monthly to ensure cross-divisional coordination in setting the strategic direction for innovation. Additionally, this board gets it direction from the business unit leaders who are a part of the Executive Committee. This has been done to ensure a simple structure so that the technology can be close to business and to maintain consistency across all divisions of Schneider Electric.

The Human Resources Department is responsible for deploying and ensuring the application of procedures concerning employee development, promoting diversity and ensuring safe, healthy working conditions. The department is also responsible for establishing guidelines on rewards and compensation, hiring, on and off boarding, learning, amongst other Human Resources related guidelines.

The Procurement Department within Supply Chain is responsible for establishing guidelines concerning procurement organization and procedures; relationships between buyers and vendors; and procedures governing product quality, level of service, and compliance with environmental standards and Group *Principles of Responsibility*.

Global Functions and Division 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.

8.3 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 "Ethics & Responsibility" chapter 2, page 87.

Compliance code governing stock market ethics

The compliance code sets out the rules to be followed by management and employees to prevent insider trading. All employees who have access to sensitive information are bound by a strict duty of confidentiality. It also sets restrictions on purchases and sales of Schneider Electric SE securities by persons who have regular or occasional access to sensitive information in the course of their duties (see "Organizational and operating procedures of the board of directors", chapter 3 section 2 on page 167). Such persons are prohibited from trading in the Company's securities at any time if they are in possession of price-sensitive information which has not been made public 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, 2017.

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 via the employee portal.

Approval limits

Under current management practice, the Group has set approval limits for Senior Management for certain decisions. Local management will define the local approval matrix for relevant decisions within the approval limits set by the Group.

Within this framework, business segment executives, functional, operational and local management is therefore able to approve certain decisions depending on the nature and threshold.

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, *i.e.*, decisions relating to the acquisition or disposal of holdings or assets for amounts greater than EUR250 million; decisions relating to strategic partnerships and major changes of course in the strategy, and decisions relating to the issuance of off-balance sheet commitments that exceed the limits prescribed by the board.

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 employee portal.

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 (Procurement, Sales, Logistics, etc.);
- accounting and financial related cycles;
- Human Resources and Information Systems cycles.

The Key Internal Controls are available to all units in 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 using a digitized tool.

For new acquisitions, the entities may continue with their existing controls in transition before deploying the Key Internal Controls.

8.4 Risk identification and management

General risks at the Group level

The Internal Audit Department conducts interviews to update the list of general risks at the Group level each year. In 2017, around 100 of the Group's top managers were interviewed, in addition to external views such as financial analysts and board members. Since 2016 individualized 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. 78% of the risks categories identified in the Group’s risk matrix are audited by the Internal Audit Department over a period of 5 years to assess action plans for managing and reducing these risks.

In 2017, overall risks relating to strategy and transformation have stabilized or improved compared to operational, environmental and regulations 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 (particularly 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 the contractual (such as limitation of liabilities), technical (such as technical discrepancy versus customer specifications) and financial risks (such as margin slippage at solution execution phase).

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 willful acts against property and people.

To be more powerful and more balanced, a “Global Security-Group Committee” was created in 2017, gathering together the Zone Security Leaders (8 managers in total). Some of these leaders report directly to the Global Security Department (Central & South America, South East Europe, East Asia & Japan, Africa & Middle East) and some to local management with functional reporting to Global Security Department (North America, Greater India, CIS, France). 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, created in 2009) each time that it is activated.

The Security Department co-chairs 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 in 2013 a Schneider Electric-Bureau of Investigation (SEBI) 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 to be efficient in gathering evidence effectively).

The Security Function also participates in crisis management, in the managing the corporate crisis cell and in supporting local entities (to limit the consequences of the occurrence of certain risks such as civil war, weather events, pandemics, attacks on people, terrorism, etc.). In addition, it regularly organizes Security Audits (R&D centers, head offices, sensitive plants, etc.).

Management of Information Systems risks

The Digital Security Function inside the Schneider Digital organization defines and implements specific security policies for information systems, ensuring systems and infrastructure hygiene, confidentiality, integrity, availability and accountability of all our information and technology assets. This department identifies critical risks, processes and information to prioritize, mitigate and secure Schneider Electric assets and offers.

8.5 Control procedures

In addition to the general missions already described, this section describes specific measures taken in 2017 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 2017 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 2017 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 with a particular control. In 2017, based on the self-assessment, the level of compliance improved by around 2 points versus 2016.

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 conducts diagnostic missions as requested by management.

Global Functions

In 2017, the Global Functions continued to set guidelines, issue instructions and provide support.

For example:

- the ethical risk matrix created in 2015 and updated in 2016 was requested for all entities. Results were analyzed in order to support the implementation of action plans via the network of *Principles of Responsibility Advisor*, depending on the level of exposure which is calculated based on 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 the ethics & compliance program, and company policies;
- the Security Department issued a new Global Security Directive on "International Assignee Security in Risky Destinations". This new Directive is to define the impact of the Duty of Care regarding this category of employees (commonly named "expatriates") and to define roles and responsibilities of all stakeholders involved. Risk management approach, guidance and recommendations for host countries and all key stakeholders are also provided;
- two Security Handbooks were also created: 1 for the use of the Country President and 1 for the use of the Site/Facility Manager. These Handbooks are to give the concerned manager a comprehensive single document gathering all the Company's relevant governance regarding Security;
- the Global Security Department created new security positions at zone level: North America, Central & South America, East Asia & Pacific, South-East Europe. These new positions are to provide more support to the local Security Managers or Correspondents and to the local Management in assessing risks and in defining relevant security setups, means & procedures;
- the Global Anti-Corruption Policy was updated and the Anti-Corruption Code of Conduct was issued;
- training on ethical topics continued for all employees, with a specific focus on the most exposed functions and entities – especially newly acquired companies. For more information, see the "Ethics & Responsibility" chapter 2, page 87;
- the Group chose and started to deploy Credit Management and Trade Finance tools worldwide, to improve the follow up of risks and commitments. A new organization was set up with a Credit Manager and Treasury & Trade Expert in each zone to enhance competency and control. A dashboard on Financing and Treasury subjects is now issued on a quarterly basis.

Internal Control Department

The Internal Control 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.

In 2017, certain Key Internal Controls that were identified since 2015 as critical remained a focus and actions were 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 local Internal Control team consists of around 11 members located in various geographies dedicated their efforts to improve internal controls in the local entities.

The regional Internal Control team consists of 27 regional internal controllers in 5 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 geographical 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 100 on-site inspection missions in 2017 to assess the level of internal control and 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 2017, Internal Audit performed 39 audits, including:

- audits of units;
- audits of a number of risks or operating processes;
- post-acquisition audits for newly acquired companies;
- analyses of internal control self-assessments by the audited units;
- follow-up audits to ensure recommendations are applied;
- assistance assignments.

The most common findings and observations derived from these audits relate to the following topics: awareness on the Principle of Responsibilities and on the Responsibility & Ethics Dynamic program, segregation of duties and access rights to the IT systems, management of price conditions, alignment with the Chart of Approval, solutions and projects bid management and margin control at execution phase, security of payments, etc.

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.

8.6 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.

2 Sustainable development

1. Sustainable development at the heart of our strategy

A strategy serving energy transition technologies

Schneider Electric, the global specialist in digital transformation of energy management and automation, brings together its expertise and solutions for its customers to make sure that energy is safe, reliable, efficient, connected and sustainable. Its mission is to make sure that Life is On for everyone, everywhere and at every moment with its technology. The Group proposes an integrated offer of technologies and market-leading solutions tailored to customer needs promoting the transition toward more electric, digital, decarbonized, and decentralized energy. Its mission contributes to meeting the energy challenge in its ecosystem – keeping global warming under a 2°C limit – while achieving improved operational efficiency.

Climate action for sustainable growth

In 2017, Schneider Electric was one of 120 companies to secure a place on the Climate A list of all the companies that participated in the CDP program and the only company in its industry to achieve an A rating for the 7th year running. This strongly encourages Schneider Electric to continue its innovation strategy at every level for sustainability. The Group is committed to providing innovative solutions to overcome the energy paradox: balancing our planet's carbon footprint with the irrefutable human right to quality energy. At Schneider Electric, the link between sustainability and business performance is concrete.

Access to energy is a basic human right. Schneider Electric develops inclusive business models and creates solutions to provide clean, safe and reliable energy to the 1.1 billion people – 1 in every 6 people on the planet – without access to electricity. The Group also contributes to the fight against fuel poverty in mature economies.

As part of the French Business Climate Pledge, the joint commitment of 91 French companies in favor of climate, announced during the One Planet Summit, Schneider Electric strengthened its commitments presented at COP21. They revolve around 4 complementary approaches:

1. **by 2020**, reach the 21 new commitments of the 2018-2020 Planet & Society Barometer, define a precise trajectory respecting the 2°C scenarios up to 2050, validate it *via* the Science-based targets initiative to which the company has been a signatory since 2016, and increase the impact of its internal carbon price;
2. **by 2030**, achieve carbon neutrality by reducing the carbon emissions of the Group's sites as well as those of its industrial ecosystem including its suppliers and customers, quantify the CO_2 emissions avoided by its customers thanks to its offers, reach 100% renewable electricity, 100% recycled or certified packaging, 100% recycled waste, and double its energy productivity compared to 2005;
3. **by 2050**, on scopes 1 and 2, reduce by more than 50% its CO_2 emissions in absolute value compared to 2015, in line with the guidelines of the Science-based targets;
4. **from now on**, act and follow in a transparent way the achievement of its objectives, by the quarterly publications of its Planet & Society Barometer and in the framework of large open coalitions, notably through joining, in December 2017, the Energy Productivity 100 (EP100) and Renewable Energy 100 (RE100) initiatives of the Climate Group, partnering with Sustainable Energy For All (SE4All) to become a delivery partner, and committing to support the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD); these commitments accelerate the results already obtained and communicated *via* the 4 Schneider Electric Planet & Society Barometers since 2005, for example its energy intensity reduced by 42% between 2005 and 2017 and the carbon intensity of its logistics reduced by 35% between 2012 and 2017.

At the end of 2017, we have renewed and strengthened our 10 commitments towards carbon neutrality:

1. avoid the emission of 100 million metric tons of CO_2 on our customers' end thanks to our offers (2018-2020);
2. use 80% renewable electricity in our energy mix by 2020 (2018-2020) and 100% by 2030 (2018-2030); and continue to reduce our energy consumption started since 2005 on our sites by doubling our energy productivity (2005-2030);
3. achieve 75% of our turnover under the new Green Premium™ program (2018-2020);
4. avoid 100,000 metric tons of primary resource consumption through our EcoFit™, product recycling and take-back programs (2018-2020);
5. use 100% cardboard and pallets for transport packing from recycled or certified sources by 2020 (2018-2020) and use 100% packing and packaging from recycled or certified sources by 2030 (2018-2030);

6. reach 200 sites labeled Towards Zero Waste to Landfill by 2020 (2015-2020) and recover 100% of our industrial waste by 2030 (2015-2030);
7. reduce CO_2 emissions from the transport of our goods by 3.5% per year (annually since 2012);
8. facilitate access to lighting and communication with low-carbon solutions for 50 million underprivileged people by 2025 (2009-2025);
9. propose alternatives to the use of SF_6 gas by 2020 (2015-2020) and eliminate SF_6 from our products by 2025 (2015-2025);
10. invest EUR10 billion in innovation and R&D for sustainability in 10 years (2015-2025).

Opportunities and risks related to the effects of climate change

Schneider Electric is in a strategic position for capitalizing on the current challenges in terms of energy and climate change, while the associated risks are low and controlled. Schneider Electric's response is to reduce its own impact and to offer products, services and solutions which help its customers to reduce their energy consumption and CO_2 emissions. The solutions Schneider Electric brings to the market are directly linked to activities to mitigate, adapt to and improve our resilience to climate change.

The Group regularly assesses the direct and indirect opportunities and risks linked to energy challenges, to reducing carbon emissions and to adapting to climate change. These include the efficiency of resources, reputation, economic growth, demography, industrialization, urbanization, changes in consumer behaviors, changes in climate conditions, regulatory developments, access to energy and fuel poverty.

These are all reflected in the Planet & Society Barometer and in the indicators which measure the company's performance when it comes to climate change, and in its offerings such as:

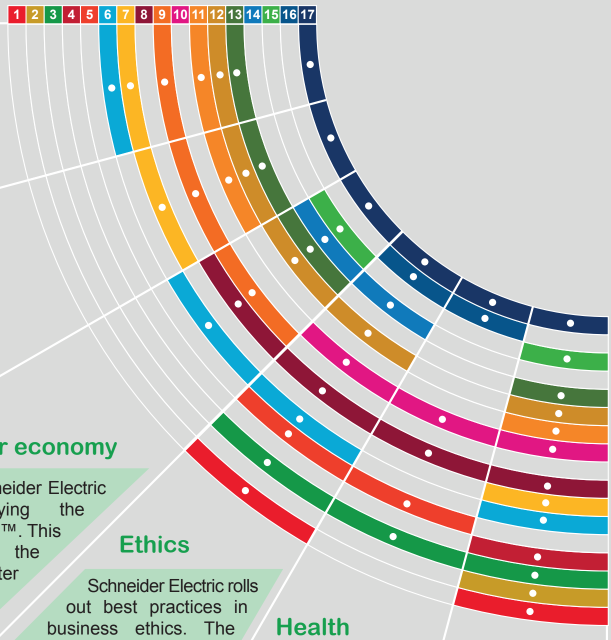
- smart energy management systems, gathered on our EcoStruxure™ platform;
- energy efficiency offers which reduce customers' carbon footprint;
- technologies and solutions for Smart Districts and Smart Grids;
- renewable energy management offers;
- solutions to help underprivileged populations access clean, safe and reliable energy.

See details of actions and targets by SDG on our website.

Life Is On | Schneider Electric

Schneider Electric commits to the “Sustainable Development Goals”

Schneider Electric, the global specialist in energy management and automation, undertakes to contribute to the Sustainable Development Goals (SDGs), a universal call to action launched by the United Nations to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. The Group is engaged to accomplish the 17 SDGs through its core business and its five sustainability megatrends: Climate, Circular economy, Ethics, Health & Equity, and Development.



Schneider Electric’s core business

Schneider Electric has developed an integrated offer of technologies and solutions supporting the transition to a more electric, digital, decarbonized, and decentralized energy. The Group is committed to investing EUR10 billion in innovation and R&D for sustainable development between 2015 and 2025.

SDGs : 6 7 9 11 12 13 17

Climate

Schneider Electric is committed to carbon neutrality for its sites and its ecosystem by 2030. On its scopes 1 & 2, the Group targets a 53% absolute CO_2 reduction by 2050 compared to 2015, and is committed to developing science-based targets by end-2018.

SDGs : 7 9 11 12 13 17

Circular economy

Since 2015, Schneider Electric has been deploying the Schneider ecoDesign Way™. This method allows to place on the market products offering greater maintainability, reparability, capacity for retrofitting, and reprocessing at the end of the life cycle. At the site level, the Group commits towards zero waste to landfill.

SDGs : 6 8 9 12 13 14 15 17

Ethics

Schneider Electric rolls out best practices in business ethics. The Group is committed to implementing a human rights policy and broad program in accordance with the United Nations Guiding Principles on Business and Human Rights, including its value chain.

SDGs : 1 3 5 6 8 10 12 14 16 17

Health & Equity

Since 2015, a global employee well-being program has been deployed. It takes a holistic view of well-being including the 4 dimensions: Physical, Mental, Emotional and Social. In addition, the Group deploys an operating gender pay equity plan in all countries.

SDGs : 3 5 8 10 16 17

Development

By 2025, Schneider Electric commits to facilitating access to lighting and communication to 50 million people with low-carbon solutions and to training 1 million underprivileged people in energy skills.

SDGs : 1 2 3 4 6 7 8 10 11 12 13 15 17

1.1 Prioritizing actions with a materiality matrix

Materiality Analysis

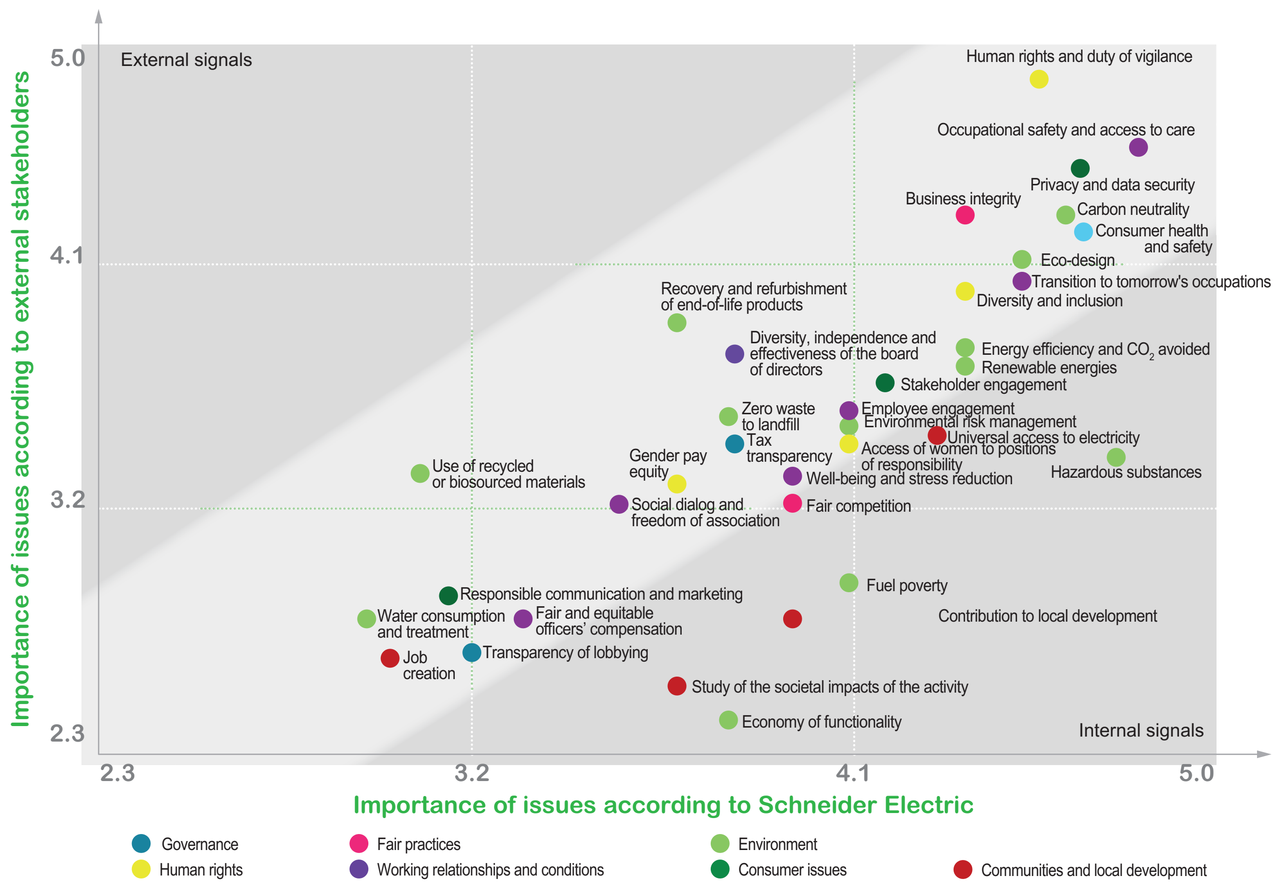
In 2017, Schneider Electric renewed its materiality[1] analysis by questioning relevant external stakeholders (*e.g.* customers, suppliers, trade associations, international organizations, experts, shareholders, members of the board of directors, etc.), and top and senior managers within the Group (Strategy, Country Presidents, Safety/Environment/Real Estate, Businesses and Services, Human Resources, Industrial design, IoT and digital transformation, European Works Council, etc.). The participants represented 5 nationalities; 32% of the respondents were women, 68% 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 justification of the given scores. This made it possible to adjust the averages so as to obtain a more representative matrix of the interviewees' intentions. These interviews also enabled Schneider Electric to consolidate the relationship with its stakeholders and learn about their expectations. Beforehand, the issues were defined using a study of the stakes of the sector (analysis of different CSR guidelines, sector benchmark, etc.) and a comparison with the materiality analysis of 2013.With the help of consulting firm B&L evolution, 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 2018-2020 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 external and internal visions of the issues are generally aligned. Issues related to governance and communities and local development are generally less material than issues related to human rights, consumers, working conditions and relationships, fair practices or the environment. Six issues are defined as crucial: human rights and duty of vigilance, data security and privacy, business integrity, workplace safety and access to health care, and carbon neutrality.

The 2017 registration document, the Group's commitments for climate (see previous page) and finally the Planet & Society Barometer 2018-2020 cover all these priority topics through Group policies, progress plans, indicators, and short or long term goals.

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 Standard GRI reporting guidelines.*

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

The Planet & Society barometer (objectives through 12/2017)		Start 01/2015	Results 2015	Results 2016	Results 2017	Target 12/2017
	Overall score (out of 10)	3.00	6.33	8.48	9.58 ▲	9/10
CLIMATE	10% energy savings	-	4.5%	7.1%	10.3 % ▲	10%
CLIMATE	10% CO_2 savings from transportation *	-	8.4%	11.2%	10.3 % ▲	10%
CIRCULAR ECONOMY	Towards zero waste to landfill for 100 industrial sites	34	64	99	130▲	100%
CIRCULAR ECONOMY	100% of products in R&D designed with Schneider ecoDesign Way™	-	13.3%	81.6 %	100% ▲	100%
CLIMATE + DEVELOPMENT (Sustainability offers)	75% of product revenue with *Green Premium*™ eco-label	60.5%	67.1%	74.8%	80.1% ▲	75%
CLIMATE + DEVELOPMENT (Sustainability offers)	100% of new large customer projects with CO_2 impact quantification	-	- **	16%	100% ▲	100%
CLIMATE + DEVELOPMENT (Sustainability offers)	120,000 tons of CO_2 avoided through maintenance, retrofit and end-of-life services	-	44,777	101,508	168,400 ▲	120,000
CLIMATE + DEVELOPMENT (Sustainability offers)	x5 turnover of Access to Energy program to promote development ***	-	x 2.07	x 2.1	x 2.21 ▲	x 5
ETHICS	100% of our recommended suppliers embrace ISO 26000 guidelines	48%	64.7%	82.3%	87.9% ▲	100%
ETHICS	All our entities pass our internal Ethics & Responsibility assessment	-	88%	93.4%	98.4% ▲	100%
HEALTH & EQUITY	30% reduction in the Medical Incident Rate *(MIR)*	-	17%	33%	38% ▲	30%
HEALTH & EQUITY	One day training for every employee every year	79%	85.6%	92%	92% ▲	85%
HEALTH & EQUITY	64% scored in our Employee Engagement Index	61%	61%	64%	65% ▲	64%
HEALTH & EQUITY	85% of employees work in countries with Schneider gender pay equity plan	-	57%	75%	89% ▲	85%
DEVELOPMENT	150,000 underprivileged people trained in energy management	73,339	102,884	123,839	148,145 ▲	150,000
DEVELOPMENT	1,300 missions within Schneider Electric Teachers NGO ***	460	878	1,065	1,347 ▲	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.

▲ 2017 audited indicators.

* 2017 being the last year of the 2015-2017 plan, the methodology for calculating this indicator in 2017 has been completed, see note on pages 131-132.

** This indicator is followed from 2016.

*** A methodological change was made in Q4 2016, see note on pages 133 and 134.

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 3 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 whole company around sustainability objectives;
- share the Group's progress plans with stakeholders.

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

Every 3 years and as part of the company programs, the Group defines a new Planet & Society Barometer. The barometer is thus one of the indicators of Schneider Electric's company program, which sets the Group's strategic priorities every 3 to 5 years. The progress plans are drawn up following an exercise to identify sustainability issues based on external and internal inputs. We hear the voices of our stakeholders when we design a new barometer, *via* the materiality matrix that we carry out, our meetings with SRI investors, the questionnaires that we receive from rating agencies or from our customers, which all shed light on our strategic points of differentiation and on the salient societal concerns. For each target and indicator, and this is a critical point for the operational implementation of the barometer, the ambition is defined in consultation with the departments concerned. For the Group, it is the guarantee of a strong mobilization in the field and in consistency with the actual priorities; for the teams, integrating a program into the barometer is the assurance of having the necessary means and visibility to progress. At each new period, the update of the barometer takes into account the results obtained, the progress still expected, the emergence of new topics and new priorities, and the experience gained. Thus, our barometer is a powerful tool to move the Group forward on its major challenges. The Sustainable Development Department presents the draft version of the Planet & Society Barometer to the HR and CSR committee of the board of directors, to the European Works Council, and to the Sustainability Executive Committee for validation. This latter committee includes 4 members of the Executive Committee: Strategy, Human Resources, Global Supply Chain and Marketing. The barometer is then approved by the CEO.

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 2015-2020 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 twice a year. The HR and CSR committee within the board of directors conducts an annual review of the Group's sustainability policy, analyzing in particular the performance of the barometer.

The barometer score is included in the variable compensation of Global Functions and company leaders (7,000 people), in the profit-sharing incentive of the two largest French entities of the Group (10,000 people), and in the long-term incentive plans (2,000 people). The barometer's indicators are generally part of the variable compensation of the teams in charge of them.

The table above shows Schneider Electric's sustainable development performance in 2017. When the barometer was launched on January 1, 2015 the overall score was 3.00/10. At the end of 2017, the Company exceeded its target of 9/10 and attained 9.58/10. As of January 1, 2018, a new barometer has been launched, comprising 21 key indicators for a new 3-year period (2018-2020).

Communicating the results of the Planet & Society Barometer

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

- the quarterly conference calls on the Group's financial and non-financial results to investors and the business press;
- the Group's website (quarterly press releases, presentation of integrated quarterly results);
- the Intranet (including a quarterly internal video featuring the CEO and the CFO on the quarter's results – these videos have strong internal visibility);
- the "Webradios", which inform the Sustainability Fellows (see page 74) about performance and achievements for the quarter and provide an update on key sustainability topics;
- the communications with the board of directors *via* its HR and CSR committee and the Executive Committee;
- the Group's annual reports (registration document including the statutory auditors' report, strategy and sustainability report, integrated report);
- the quarterly internal rating for managers on monitoring the level of achievement of objectives related to variable compensation;

- at events for clients or investors just like our activities and product demonstrations.

The non-financial annual results are presented together with the financial results by Jean-Pascal Tricoire, Chairman and CEO of Schneider Electric, 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, Deputy CEO and CFO, to institutional investors.

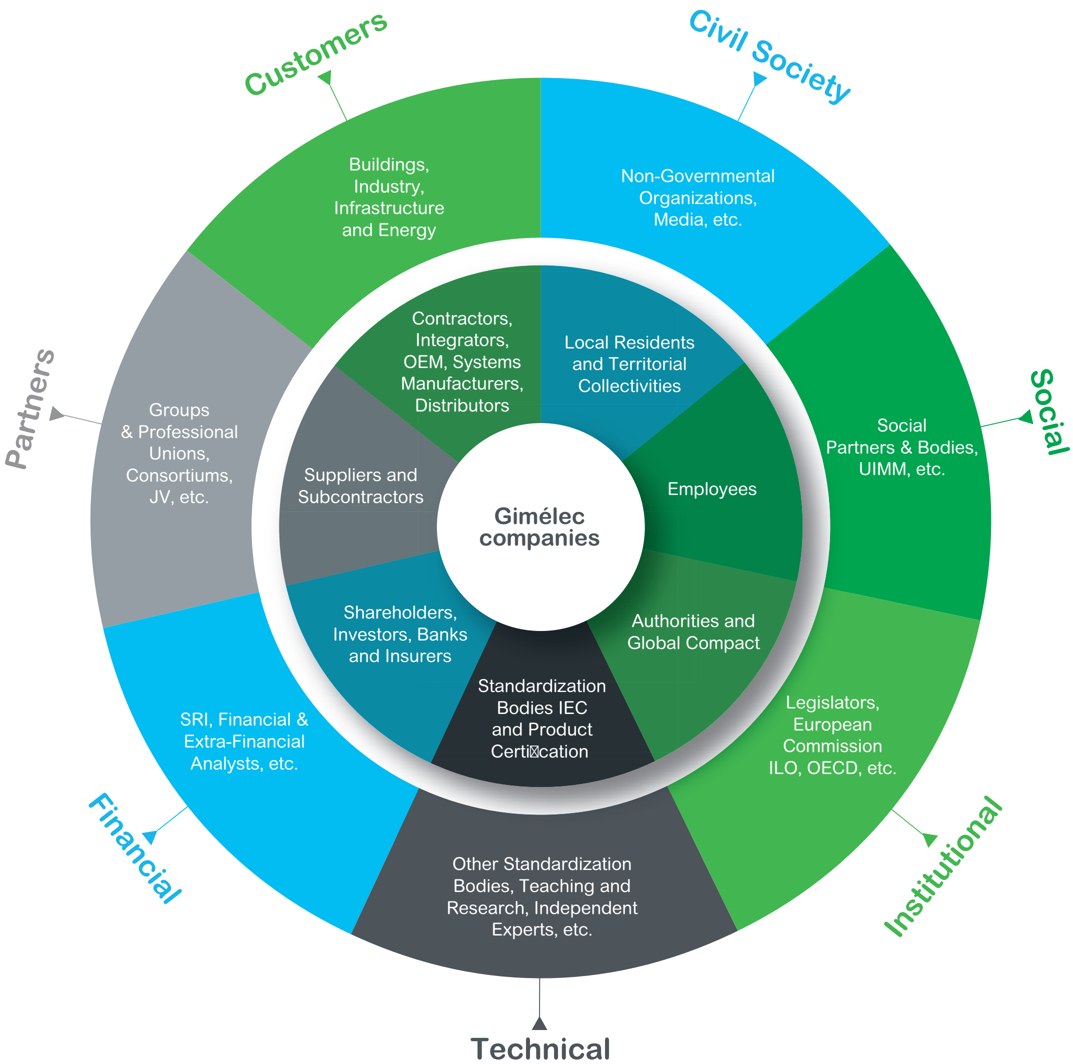
The barometer is a key and structuring instrument at Schneider Electric to drive its commitment and performance on ethical, social, environmental and business topics, and which federates all employees. For each of its 5 megatrends (Climate, Circular Economy, Ethics, Health and Equity, Development), Schneider Electric sets ambitious objectives, which will require the Group to progress each year. Thus, since 2005, this barometer, because it engages Schneider Electric *vis-à-vis* itself and its stakeholders, pushes it to act. It creates a dynamic of continuous progress and innovation that is particularly virtuous for the Group in its mission to help keep global warming under a 2°C limit and reduce the energy gap, with ethics and responsibility.

The Planet & Society Barometer is a tool that enables Schneider Electric to anticipate and effectively manage its sustainability risks and opportunities 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 dialog with stakeholders

Focused dialog 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.

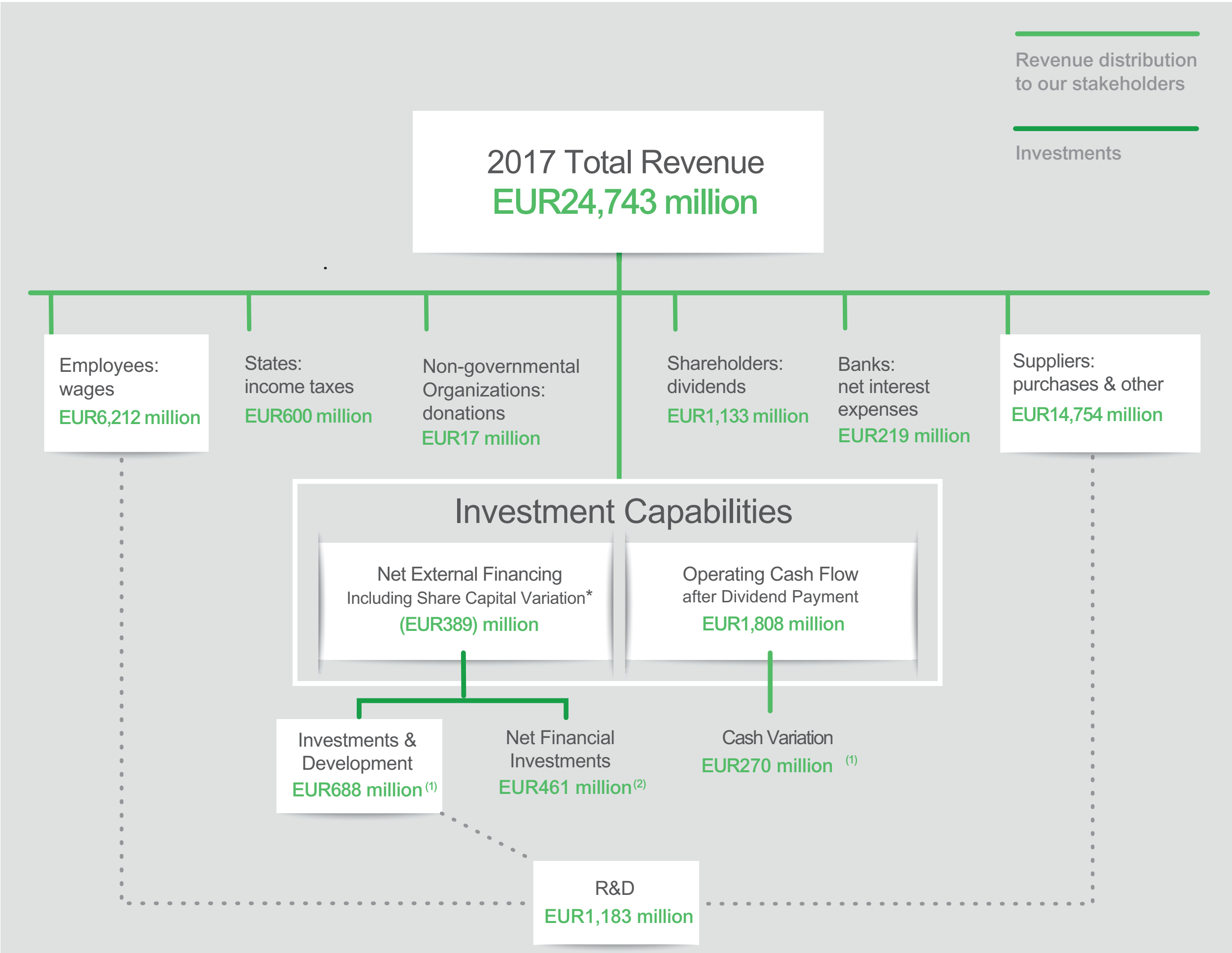


(1) Source: CSR Sector Reporting Guide, 2017.

Schneider Electric engages in an open and continuous dialog 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, the Group corporate brochure (strategy and sustainable development report), the integrated report, and new progress plans throughout the Company program as well as during the design of the Planet & Society Barometer every 3 years.

Revenue breakdown

Every year for the last 12 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 EUR314 million in R&D.
(2) Including EUR160 million for long term pension assets.

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

Stakeholder	Dialog	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 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 dialog with employee representation bodies ◆ Sustainability 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, an initiative was launched in 2013: the Sustainability Fellows. Relying on the internal social network, the community's objective is to make all employees aware of what sustainability is, what the main challenges linked with this topic are, inside and outside the Company, and to understand the link between Schneider Electric's strategy and climate or societal issues. The goal is also to allow members of this community to share their views in order to solve problems, improve the Company's policies and actions, or to learn about the different ways to get involved daily or occasionally. The Sustainable Development Department acts as the community manager: from simple posts of polls on the social platform to quarterly Webradio live broadcasts. The Sustainability Fellows grew from a few hundred people in early 2013 to more than 5,000 in 2017.

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.

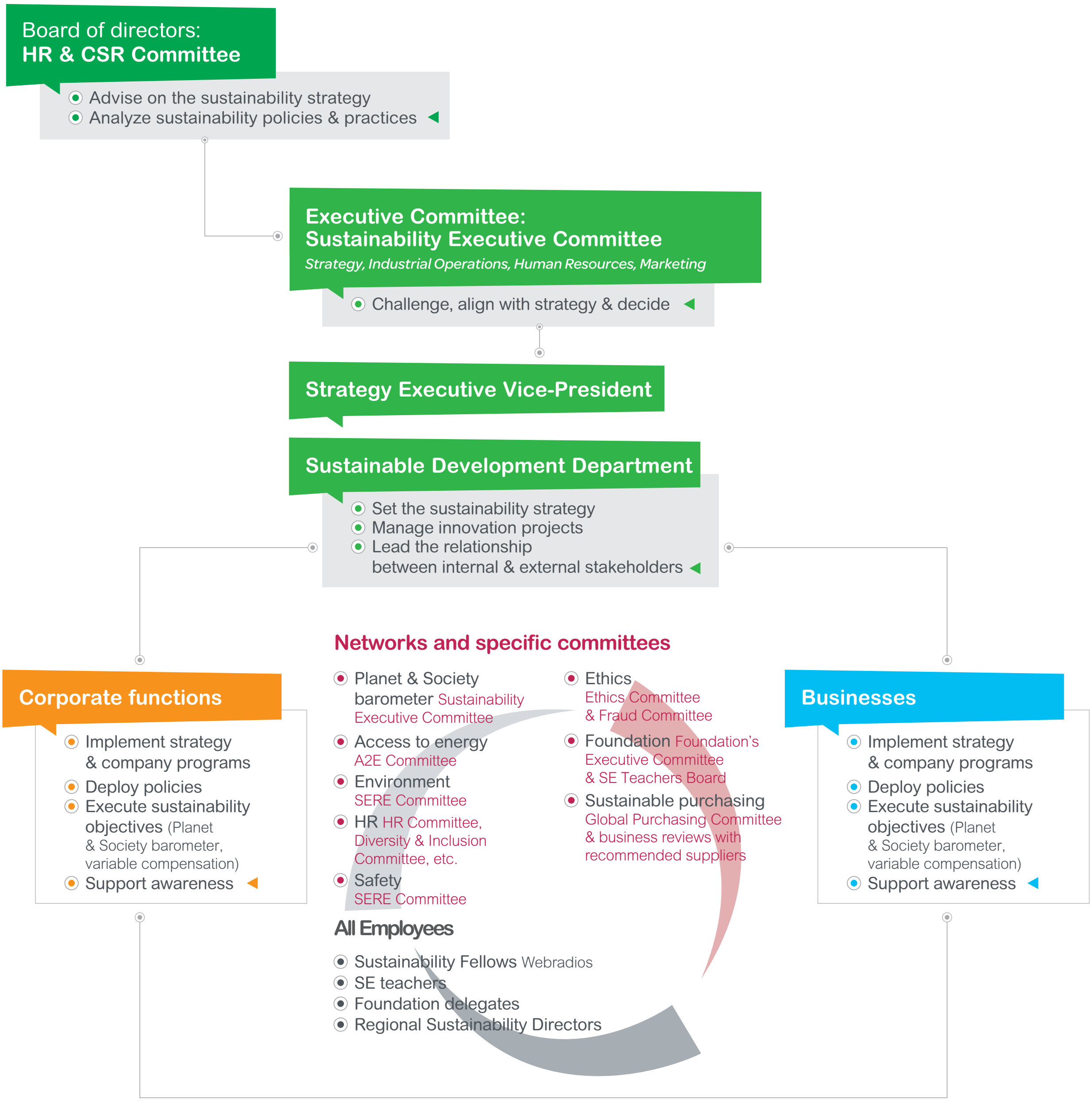
Theme	Commitment
Sustainable governance and crossfunctional topics	**International:** World Business Council for Sustainable Development (WBCSD), United Nations Global Compact, International Chamber of Commerce (Environmental and Energy commission). **France:** ORSE (French study center for corporate social responsibility, board of directors), since 2013 Jean-Pascal Tricoire has been Chairman of the Global Compact France, EpE (Entreprises pour l'environnement), Afep (French Association of Private Sector Companies, commissions Environmental and Energy, CSR), Medef (French Business Confederation, commissions Energy Competitivity Climate, Environment, CSR), Gimelec (French trade association for electrical equipment, automation and related services, commissions Sustainable development and topics related to Energy efficiency, Smart grids).
Climate	**International:** Carbon Pricing Leadership Coalition, Caring for Climate, The Climate Group and We Mean Business (RE100, EP100, Responsible Climate Policy, Report Climate Change Information/TCFD), Business Climate Summit, Clinton Climate Initiative, The 2°C Challenge Communiqué, White House Pledge. **France:** EPE (Zen 2050), French Business Climate Pledge.
Energy/Energy efficiency	**International:** Alliance to Save Energy, Green Grid, eu.bac (the European association for building automation and controls – energy efficiency in buildings), Orgalime (Chairmanship of the Energy Group). **France:** National Energy Transition Council, Green Building Plan, Promodul, Financing company for energy transition, Avere (Electric Vehicle Association, board of directors and vice-chairmanship), IFPEB (Institut français pour la performance énergétique du bâtiment), Industry of the Future Alliance, P2E Initiative, Ignes (digital, energetic and security engineering industries).
Smart grids	**International:** Research Triangle Cleantech Cluster (Raleigh, North Carolina), Grid Edge Executive Council (Greentech Media), Fort Collins Cleantech Cluster (Colorado), OpenADR Alliance, smartEn (Smart Energy Europe), 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, Capiel (European Coordinating Committee of Manufacturers of Electrical Switchgear and Controlgear, Smart grid project group), Orgalime (Infrastructure task force), Electric Drive Transportation Association (EDTA), Bay Area Climate Collaborative (SF Bay), NEMA Distribution Automation Section 8DA, T&D Europe (European Association of the Electricity Transmission and Distribution Equipment and Services Industry, working group Smart grids and Micro Grids), European Smart grid task force led by the European Commission. **France:** Think Smartgrids, Tenerrdis Energy Cluster.
Sustainable cities	**International:** Urban Infrastructure Initiative led by the WBCSD.
Circular economy	**International:** Ellen MacArthur Foundation. **France:** Afep (Circular economy working group).
Access to energy	**International:** co-signatory of a white paper for the WBCSD on business solutions for access to energy for all and co-pilot of the "Low carbon electrification in remote areas" group, Sustainable Energy for all, Club ER, Alliance for rural electrification. **France:** supporting partner of the Social Business/Enterprise and Poverty Chair at HEC.
Fuel poverty	**International:** Ashoka, EPC (European Policy Center). **France:** CLER (Network for the Energy Transition – Renovations Initiative).
Diversity	**International:** signatory of the Women's Empowerment Principles (WEP) of the United Nations. **France:** Diversity Charter, Agreement for professional gender equality, 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.

Theme	Commitment
Education	**International:** training program in energy management for underprivileged people, in partnership with local vocational training centers 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. **France:** Cercle éthique des affaires (Business ethics club, board of directors), Club Droits Humains (Human rights club) of Global Compact France, Entreprises pour les droits de l'homme (Companies for human rights).
Biodiversity	Livelihoods (carbon offset fund for biodiversity and rural communities).
Philanthropy	**International:** IAVE (International Association for Volunteer Effort), more than 70 NGOs supported each year in over 35 countries. **France:** Admical (Association pour le développement du mécénat industriel et commercial, member of the European network CERES), IMS-Entreprendre pour la cité, French Foundation Center.
Standardization	With around 700 experts actively participating in international and national standardization bodies, Schneider Electric is making, in particular, a decisive contribution to the elaboration and dissemination of standards that ensure the safety and reliability of electric installations and equipment, and address their environmental impacts all along their lifecycle and prepare for a better circular economy. In particular, it holds the presidency of the French Electrotechnical Committee which is a founding member of international (IEC – International Electrotechnical Commission) and European organizations (Cenelec – European Committee for Electrotechnical Standardization); committed to these 2 organizations, at governance and technical levels, it participates actively in the roadmap for smart grid standards especially in the domain of Power Utility Automation, for which it leads a group in charge of defining the set of European smart grid standards and the standardization roadmap, and where it has the convener's role for standardizing the interface between smart buildings and smart grids; it is also a member of the French Committee for environmental standardization and has been a major contributor to the smart manufacturing initiatives such as the AIF in France. It is especially member of the Council board and the Conformity Assessment board of IEC. It chairs the Smart Energy Grid coordination group of the CEN-CENELEC-ETSI (European Standardization Committee – European Committee for Electrotechnical Standardization – European Telecommunications Standards Institute), responsible for ensuring availability of an appropriate set of standards for the rollout of smart grids in Europe. CEN-CENELEC-ETSI are the 3 official European standardization bodies. As part of the European Commission's Circular Economy package, CEN-CENELEC-ETSI will develop by 2019 a set of standards covering reparability, reuse, recycling, refurbishment, etc., of products which fall within the scope of the Eco-design directive. Schneider Electric has appointed experts in each of the working groups. It is leading the UPS manufacturers' group in the EU Commission's Product Environmental Footprint (PEF) pilots for defining rules to assess the PEF of products put on the EU market; the pilot phase is ending in 2018 before implementation of policy. It chairs several technical committees in ISO (International Standardization Organization). At the forefront of the digital transformation, it is a member of the board of the AIOTI (Alliance for IoT Innovation) European initiative, leading especially the working group on Buildings, and is leading the working group 17 of IEC on cybersecurity conformity assessment. 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 IEC's Advisory Committee for Energy Efficiency (ACEE) created in 2013 and chairs the Advisory Committee On Safety (ACOS). It also 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.

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.



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 4 areas:

- ethics, steering the Responsibility & Ethics Dynamics program (see pages 87-91);
- social responsibility, specifically with the Schneider Electric Foundation as well as local economic and social development programs (see pages 125-129);
- access to energy, with responsibility for the Access to Energy program (see pages 120-125);
- supporting and developing the Group's performance, in particular by steering the Planet & Society Barometer, the strategy and sustainability report, and the integrated report (see pages 70-72).

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

(see page 94-95).

Human Resources organization

(see pages 106-107).

The Ethics Committees

(see page 89).

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. 176)

The Sustainability Executive Committee

Since 2010, the 3 members of the Executive Committee in charge of Human Resources, Global Supply Chain and Strategy have met twice per year with the Sustainability SVP to monitor and steer the Group's action plans in this area. In 2016, the Executive Vice-President Global Marketing, member of the Executive Committee, joined this committee.

The Sustainability Communication Steering Committee

In 2017, Schneider Electric has put in place a quarterly Sustainability Communication Steering Committee. The members are those impacted by the sustainability journey of the Group for the coming years. Among them, the Executive Vice-President Global Marketing, the Executive Vice-President Strategy, the Sustainability SVP, the Safety, Environment and Real Estate SVP, the Energy & Sustainability Services SVP, and the Talent Management SVP.

The Sustainability Action & Communication Tank

Since 2017, the Sustainability Action & Communication Tank has brought together Schneider Electric's internal and external Communication and Marketing stakeholders around the Sustainability SVP every quarter to share key facts, language elements and factual data on the Group's sustainable development projects.

1.5 External and internal guidelines for a solid framework

External guidelines

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 4 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 85 "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 85 "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. In 2016, it integrates the evolutions of the GRI Standards. A reference table with its indicators and those proposed by GRI is available on Schneider Electric website.

The Sustainability Accounting Standards Board (SASB)

Schneider Electric complies with SASB reporting guidelines for its sector: Energy Management (p. 99-100 and 140-141), Hazardous Waste Management (p. 101, 102, 104 and 140), Product Safety (p. 50 and 53-54), Product Lifecycle Management (p. 95-97), Business Ethics and Competitive Behavior (p. 87-91 and 53-54), Materials Sourcing (p. 52).

Internal guidelines

Schneider Electric has written guidelines that promote an ethical framework and strategic roadmap in which the activities of the Group are carried out: the *Principles of Responsibility*, which are supplemented by policies and related directives. Consequently, the Group's desire to vigorously implement its commitments gave rise to the *Responsibility & Ethics Dynamics* program (R&ED program) in 2010. See pages 87-90.

Ethics & Compliance

In addition to the *Principles of Responsibility*, which act as a reference framework within which Schneider Electric conducts its business, different policies and directives bolster the Group's commitments in terms of business ethics and integrity. The Business Agents policy was fully updated and strengthened in January 2015, and deployed worldwide. It specifies the rules to be followed when an external stakeholder is solicited to get a deal and integrates the approval process of business agents. The Internal Fraud Investigation directive was also updated in mid-2015 and clearly indicates the commitment for whistleblower protection. The new Gifts & Hospitality policy was approved by the Group's CEO in December 2015 and deployed locally. In 2016, the Group also put in place a new Anti-Corruption policy deployed in 2017. It is supplemented by an Anti-Corruption Code of Conduct detailing the related processes. In 2016, a new directive specifies the Alerts Management processes. The other policies cover social media management, data management and protection, competition law, the market ethics code, etc.

Human rights

In 2017, Schneider Electric has written a specific human rights policy as part of a broader program on Duty of vigilance in its value chain and in line with the UN Guiding Principles on Business and Human Rights (See p. 91).

Responsible purchasing

In 2016, Schneider Electric renewed the charter for its suppliers, called the Supplier Guide Book, whose first chapter sets out its expectations for sustainable development in five areas: environment, fair and ethical business practices, sustainable procurement, labor practices, and human rights. These requirements are detailed in a dedicated document called the Supplier Code of Conduct.

Environment

The first version of Schneider Electric's environmental policy was published in 1992, modified in 2004 and confirmed in 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 is bolstered by the Energy, Eco-design, Materials and Substances, and WEEE (Waste Electrical and Electronic Equipment) policies. These policies apply to the Group and are accompanied by global action plans.

Social

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

1.6 Ratings and awards

The evaluations and awards underline external recognition of the Group's sustainable development programs and indicate the Company's performance in its sector.

In the Ipreo report SRI Leaders Index Fall 2017, Schneider Electric was listed as 5th for the global company with the most SRI funds in its capital (365 funds).

Ratings and indexes

DJSI World and Europe

In 2017-2018, Schneider Electric is part of the DJSI (Dow Jones Sustainability Index) World and Europe indexes and ranks second in its sector with a score of 83/100. It has been part of these 2 indices since 2002, except in 2010 where it was not in the World index. It was Industry Leader (1st in its sector) between 2013 and 2016. Evaluation for this family of indices is provided by RobecoSAM, an independent asset manager headquartered in Switzerland.

CDP Climate A list

In 2017-2018, Schneider Electric was selected for the 7th year running among the 120 companies to receive the "A" rating from CDP Climate for their performance in activities to combat climate change. It is included in the STOXX Global Low Carbon, Low Carbon Footprint and Climate Change Leaders indices.

Vigeo Eiris Industry Leader

The composition of the Euronext Vigeo Eiris indices is updated twice per year, in June and December, based on the opinions of Vigeo Eiris conducted approximately every 2 years. Schneider Electric was evaluated in late 2017. It is first in its sector (Electric Components & Equipment), with a rating of 63/100 in December 2017, at the highest level (Advanced). The update of the Euronext Vigeo Eiris indices following this valuation is scheduled for June 1, 2018. As of December 1, 2016, following the end of 2015 evaluation, Schneider Electric was part of the Euronext Vigeo Eiris World 120, Europe 120, Eurozone 120 and France 20 indices. It is also part of the Ethibel Sustainability Index (ESI) Excellence Europe and Global.

Oekom Industry Leader

Schneider Electric is rated Prime by Oekom, first in its sector and the only company in its sector to attain a B rating.

MSCI Industry Leader

Schneider Electric has been at the AAA level since 2011, is first in its sector, and is part of the MSCI SRI, Socially Responsible, Sustainable Impact, ESG Universal, ESG Leaders, Select ESG Rating & Trend Leaders, Environment, Energy Efficiency, Low Carbon Leaders,and Low Carbon Target indices.

Sustainalytics Top 3

Schneider Electric is ranked 3rd in its universe (44 companies) with a score of 81/100 and is part of the STOXX Global ESG Leaders, Environmental Leaders, Social Leaders, Governance Leaders, Impact, and STOXX Sustainability indices.

FTSE4Good

Schneider Electric is part of the FTSE4Good Developed, Europe, Europe Environmental Leaders, FTSE Environmental Opportunities, and FTSE EO Energy Efficiency indices.

ECPI

Schneider Electric is included in the ECPI Carbon, Ethical, Renewable Energy, ESG Best in Class, Megatrend, Climate Change and ESG indices.

ISS

Schneider Electric reached Rank 1 in Environment, 1 in Social, and 3 in Governance at ISS (Institutional Shareholder Services Inc.) QualityScore in 2017. The rating scale runs from 1 to 10, with 1 representing the lowest risk level and 10 the highest.

EcoVadis Advanced level and Gold rating

Schneider Electric reaches the Advanced level (and Gold rating) at EcoVadis with a rating of 80/100.

Other awards 2017

Among the awards received for sustainable development, the Group highlights the following:

- **Integrated Thinking Award:** Schneider Electric is the winner of the first edition of the Integrated Thinking Awards in Europe in the Large Companies category, organized by the Responsible Capitalism Institute; this distinction hails the real integration of sustainable development into the Group's strategy and the great attention paid to dialog with all its stakeholders;
- **Bloomberg Gender-Equality Index**: Schneider Electric is included in the gender equality performance index among 104 companies, published by Bloomberg in January 2018; originally limited to the financial sector when it was launched in 2016, this index is open for the first time to all sectors;
- **Ethisphere:** Schneider Electric was one of the 135 most ethical companies following ranking by Ethisphere in February 2018, for the 8th consecutive year; only 3 French companies enter the ranking this year;
- **Carbon Clean 200 List:** in February and June 2017, Corporate Knights ranked Schneider Electric number 3 worldwide for its revenue devoted to the energy transition;
- **Newsweek Green Ranking:** in 2017 Schneider Electric was the 12th greenest company in the world, according to Corporate Knights' ranking;
- **Global 100 most sustainable corporations:** Schneider Electric came in 45th place in January 2018 in the ranking drawn up by Corporate Knights. This is the 6th year running it has appeared on this list;
- **Carbon Clear (EcoAct):** Schneider Electric is the top CAC 40 company in the fight against climate change;
- **Employer Rewards:** Schneider Electric is in LinkedIn's Global Top Companies list, 15th in the Best Places to Work of Glassdoor in France, received the Aon Best Employers Award in India, and is in the top 10 most attractive companies according to Randstad Australia;
- **China Best CSR Practice:** Schneider Electric China was awarded "Best CSR Practice" in 2017 CNB China CSR List, with its excellence in sustainability concepts, models and practices;
- **SDG Pioneer:** The Global Compact recognized Tania Cosentino, Zone President for South America, Schneider Electric, as one of the SDG Pioneers of 2017, 10 prominent corporate personalities for the steps they have taken to advance the United Nations Sustainable Development Goals (SDGs).

2. Green and responsible growth driving economic performance

This chapter covers 2 subjects:

- products and solutions for fighting climate change: energy efficiency, smart grid, sustainable cities, etc.;
- business ethics: the Group's *Principles of Responsibility*, anti-corruption, human rights, relations with suppliers and subcontractors.

2.1 Overview

Context and goals

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 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.

Key targets and results

For this section, 2 key performance indicators have been set in the Planet & Society barometer 2015-2017:

Objectives for year-end 2017	2017	2016	2015	2014
1. 100% of our recommended suppliers embrace ISO 26000 guidelines	87.9% ▲	82.3%	64.7%	48%
2. All our entities pass our internal Ethics & Responsibility assessment	98.4% ▲	93.4%	88%	-

The 2014 performance serves as a starting value for the Planet & Society Barometer 2015-2017.
▲ *2017 audited indicators.*
* *Results measured from 2016 (measurement tools deployed in 2015).*
Please refer to pages 131 to 134 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 86 for indicator 1, and 90 for indicator 2).

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

Our planet is facing an unprecedented energy challenge.

According to the International Energy Agency (IAE, World Energy Outlook 2016) global primary energy demand is expected to increase 30% by 2040. This would dramatically impact energy costs and security, competition for resources, access to energy for the poorest populations, economic growth – and of course climate change.

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

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.

To ensure that energy efficiency targets are achieved, and to facilitate the increasing share of renewables in the energy mix, 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.

In its World Energy Outlook 2016, the IEA estimates that improved energy efficiency slows down the growth of total final energy consumption, mainly thanks to efficiency gains in industry, but 70% of the world's energy use still takes place outside of any efficiency performance requirements and, for new buildings, two-thirds of the energy consumption still has no codes or standards applied to it.

Digital technologies and IoT are now pervading every aspect of our daily lives and business operations, bringing new levels of productivity, flexibility and energy efficiency. The increasing energy use of the digital economy also requires a reinvented energy system and stresses the need for an integrated energy, efficiency and sustainability strategy.

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's EcoStruxure™ architecture framework enables the Group, its partners and end-user customers to develop scalable digital solutions that:

- maximize energy efficiency and sustainability through smarter systems and real-time, data-driven decisions;
- optimize asset availability and performance through predictive analytics and proactive maintenance;
- enable smart, productive, and profitable operations through reduction of waste and downtime;
- provide mobile insight and proactive risk-mitigation through simulation, situational awareness, and digitization;
- foster open innovation and interoperability through development and partnerships with leading standards organizations and best-in-class technology leaders.

EcoStruxure™ is tailored to buildings, data centers, industry, and the grid – where Schneider Electric has decades of deep domain expertise and applied experience. EcoStruxure™ solutions are deployable both on premise and in the cloud, with built-in cybersecurity in each of the innovation levels: connected products; edge control; and apps, analytics, and services.

Schneider Electric's 6 EcoStruxure™ domains are:

- EcoStruxure™ Building: energy efficiency and security solutions and services for high-performance buildings, smart home energy management systems. Enables users to gain valuable insights from building data to make building environments smarter, more secure and comfortable and up to 30% more efficient;
- EcoStruxure™ Power: safe, highly available, and energy-efficient electrical distribution systems, for low and medium voltage architectures. The IoT-enabled power management solutions enhance connectivity, real-time operational reliability, and smart analytics to provide customers with peace of mind and financial benefits;
- EcoStruxure™ IT: ensures that data centers' physical infrastructure can adapt quickly to support both future demand driven by IoT and growth – in the cloud and at the edge – without ever compromising availability or operational efficiency;
- EcoStruxure™ Machine: enable smart machines at all levels, combining products and software packages into automation solutions for OEMs and machine builders. Bringing benefits throughout the machine life cycle, EcoStruxure™ Machine enables to achieve greater operational efficiency;
- EcoStruxure™ Plant: helps turn industrial automation into a profit engine of customers' businesses. The value-focused IIoT technology and expertise drive profitable efficiency, reliability and safety;
- EcoStruxure™ Grid: provide network operators with the efficiency and flexibility to cope with today's challenges, including improving reliability, optimizing asset management, managing demand, integrating distributed generation, and meeting environmental goals.

Manage the efficiency of the grid during the energy transition

Context

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

Today's grid is undergoing rapid change, where the traditional centralized generation model is giving way to a world of distributed resources. Renewable energy sources are enjoying rapid growth, and begin to have a clear impact on the grid. Increasing levels of decentralized and intermittent generation coupled with demand side flexibility and the continued drive for energy efficiency is changing the energy landscape and the digitization of the demand side enables increased levels of flexibility to manage the grid. Microgrids, electric vehicles and energy storage continue their rollout on end-user grids leading to an increasingly decentralized grid management.

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 has developed a comprehensive portfolio of solutions to monitor and control demand digitally. In addition, the company has been very active in developing microgrid solutions, which inherently bring new levels of flexibility to the grid. Schneider Electric's innovative, advanced digital solutions and services enable utilities to operate and maintain more reliable, resilient, and efficient grids, enabling the smooth integration and management of distributed energy resources into power networks.

The EcoStruxure™ Grid architecture framework enables Schneider Electric, its partners and end-user customers to develop scalable and converged Smart Grid solutions, both for demand and supply side, from device level with connected products, at the edge with control offer for cybersecurity and microgrid management and with apps, analytics and services for operational efficiency, predictive maintenance and situational awareness.

Example of solutions for grid efficiency:

- ADMS (Advanced Distribution Management System) for flexible distribution. An advanced network management solution with real-time monitoring, analysis, control, optimization, planning, and training all sharing a common infrastructure, data model, and user experience. Comprehensive management approach enables increasing network reliability and resiliency, improved energy efficiency through reduced energy losses, and optimized operations
- Asset Performance Management solution collecting asset data and integrating them into utilities' operation and maintenance processes. Optimized maintenance preventing failures and unscheduled downtime and extending equipment life expectancy

Example of solution for grid edge solutions:

- renewable power plant control systems providing integrated, real-time control systems for large-scale solar farms, wind farms and hydro plants;
- renewable portfolio management with smart analytics, process monitoring and optimization, power and weather forecasting for remote operation of renewable plants;
- demand-response solutions for Industries, Buildings and Residential to increase grid efficiency through end-user engagement.

Manage the efficiency of local production and consumption

Context

Distributed Energy Resources (DERs) are reshaping the energy landscape. Cheaper and greener, they yield massive productivity changes. Intermittent and decentralized, they imply innovative power systems designed to optimize, ensure system stability, and to finance asset implementation. They call for behavior changes, new, smart technologies, and new business models. Today, DERs could help tackle the energy challenges by creating an optimized way to access reliable, green, and resilient energy.

Microgrids are the emerging energy ecosystem that provides practical answers through a local, interconnected energy system within clearly defined electrical boundaries, which incorporate loads, decentralized energy resources, battery storage, and control capabilities.

Offerings

Schneider Electric's microgrid management system relies on 2 main functions:

- the Microgrid Control (Microgrid Operation) is an on-premise solution that ensures grid stability and energy reliability in several scenarios (islanded partially or not, grid-tied, etc.);
- the EcoStruxure™ Microgrid Advisor is a cloud-based solution that leverages powerful analytics to optimize microgrid performance, in terms of sustainability, energy costs and productivity.

Schneider Electric integrate real-time control for microgrid stability with advanced analytics into a comprehensive, scalable microgrid management system. The open solutions can be connected with Schneider Electric or third-party systems, for both new and existing infrastructures. This extends smart grids to smart buildings, creating value-added services and optimizing energy consumption, storage and local generation through powerful forecasting analytics.

Schneider Electric's Wiser systems controls, measures and monitors home energy usage, for an increased comfort and more efficient use of energy in residential homes. Schneider Electric also offers the integration of safe recharging infrastructures for electric vehicles in your home's electrical system.

Schneider Electric's Access to Energy solutions electrify remote areas, from individual systems in homes and micro-enterprises to develop commercial and leisure activities to larger scale systems in public institutions, schools, healthcare centers and other community buildings.

Active Energy Management

Context

Many companies face internal barriers such as siloed departments or expertise that prevent them from reaching their energy and sustainability potential – a notable gap given that businesses spend more than USD450 billion on efficiency and sustainability initiatives each year. In fact, 44% of industry professionals who responded to a recent survey indicated that "lack of coordinated planning" was a challenge. The problem was even more pointed at the C-level, with 80% of executives citing coordination as one of the main obstacles to implementing energy and sustainability projects[1].

To clear these hurdles, organizations are starting to integrate how they buy and use energy with sustainability initiatives, an approach that maximizes investments, delivers greater returns and builds more robust, *via*ble operations. At Schneider Electric, looking at energy and sustainability as a cohesive strategy is called Active Energy Management.

Examples of Active Energy Management include implementing demand response programs based on real-time price or carbon signals; combining distributed energy resources and efficiency technology to cut costs, reach CO_2-reduction goals, and increase resiliency; and using utility records to validate compliance with industry standards and regulatory requirements. Given the rapid evolution of the energy landscape, and push to a more decentralized, decarbonized and digitized future, this type of integrated thinking and action is essential. It starts at the strategic level, requires tight internal coordination, and needs to be underpinned by enterprise data collection, analysis and sharing.

Offerings

Schneider Electric delivers end-to-end services and software that enable companies to design forward-thinking energy and sustainability programs, and deliver results – a portfolio built through strong organic and external growth:

- Strategic energy procurement;
- Energy efficiency consulting;
- Energy and sustainability certification and compliance;
- Corporate renewable energy programs;
- Energy and sustainability strategy development;
- EcoStruxure™ Resource Advisor: Integrated energy and sustainability software platform.

Buying energy smarter. Using energy efficiently. Operating more sustainably. All worthy pursuits on their own, but much more effective when combined through Active Energy Management. As resource and climate concerns grow, integrated energy and carbon management gives companies a holistic view of their performance, and access to the data they need to refine their strategies and drive innovation.

2.3 Duty of vigilance plan

In alignment with the Group strategy and vision, and to comply with the 2017-French law concerning the Corporate Duty of Vigilance, Schneider Electric is committed to implementing a vigilance plan containing the reasonable vigilance measures to allow for risk identification and for the prevention of severe violations of human rights and fundamental freedoms, serious bodily injury, environmental damage, or health and safety risks resulting directly or indirectly from the operations of the company and of the companies it controls, as well as from the operations of the subcontractors or suppliers with whom it maintains an established commercial relationship, when such operations derive from this relationship.

A dedicated internal governance body has been implemented in May 2017. Called the Duty of Vigilance Committee, it oversees the plan's monitoring – development and deployment – and meets on a regular basis (monthly basis in 2017 and every 2 months from 2018) to define the measures to take and review those already taken. It is co-chaired by the Sustainability SVP, the Procurement SVP, and the Safety, Environment, and Real Estate SVP. A first introduction to the duty of vigilance plan was given to the French and European employee representative bodies at the end of last year; we plan to repeat this in the coming months to share the finalized plan and the findings of the initiatives launched.

To be a responsible company all along its value chain, the Schneider Electric plan addresses the following 3 pillars:

- pillar 1: Suppliers & Subcontractors;
- pillar 2: Company & Subsidiaries;
- pillar 3: Customers.

On the first pillar, Schneider Electric introduced a new program at the end of 2017 to identify and manage its suppliers under vigilance. Targeting both tier 1 and tier 2 suppliers, this new program will enable the Company to identify suppliers that are most exposed to risks in terms of labor practices, health and safety conditions, environment protection, and business integrity, based on their geographic situation and type of activity. To do so, and to step up accountability in its supply chain, particularly in terms of the suppliers most exposed to risks such as human rights abuses or environmental issues, Schneider Electric has joined in January 2018 the Responsible Business Alliance (RBA), a non-profit coalition of more than 120 companies from the electronic, retail, automobile and leisure industries. The alliance's aim is to promote and guarantee high standards in human rights, safety and security, environmental protection and business ethics. The suppliers risk mapping has been performed early 2018 with a recognized third-party expert mapping tool available through the

(1) Source: The State of Corporate Energy & Sustainability Programs 2018, research report by GreenBiz Research for Schneider Electric.

RBA partnership. Most exposed countries include China and India, while most exposed commodities include sheet metal and connectors regarding production procurement, and construction and travel as regards indirect procurement. Now that the riskier suppliers are identified, a combination of both prevention and control initiatives can be launched.

The supplier vigilance plan is made of several steps. First, a specific training campaign will be done for the Schneider Electric buyers and auditors involved as well as the suppliers targeted by the program. Online modules translated in multiple languages are already available through the RBA-online platform, on topics such as: child labor; forced labor; environmental pollution; health and safety working conditions. Then, the RBA self-assessment questionnaire will be send to the riskier suppliers and reviewed by the Schneider Electric procurement staff in charge of the business relationship. Last, depending on their level of exposure and their results to the self-assessment, some suppliers will be audited per the RBA's auditing protocol in the following domains: labor practices; health & safety; environment; business ethics. A specific process has been validated for supplier disengagement if unresolved sustainability risks. In addition, existing processes towards supplier selection, contract management, audit, etc. have been reviewed in Q4 2017, to prepare for 2018 updates.

Reflecting the importance of this program, a Global Procurement Project leader has been specifically appointed and the number of suppliers under vigilance having received an on-site audit is introduced as a new indicator in the 2018-2020 Planet & Society Barometer, which measures the Group's sustainability performance. This new indicator comes with an objective of auditing 300 suppliers' sites over 2018-2019-2020.

Concerning the second pillar, the following risks have been identified and already managed for many years, more particularly: labor practices, health and safety conditions, environment protection, and business integrity. In that regard, the existing environment, health & safety internal assessment has been fully revised upgraded and digitized, to be deployed in 2018. In addition, the other existing processes have been improved during an update carried out during the last quarter of 2017 (*e.g.* Key Internal Controls revision, applicable to all entities and subsidiaries). Last, a specific program to prevent forced labor will be launched in 2018. To do so, Schneider Electric has decided to join the RBA's Trafficked & Forced Labor taskforce launched in 2014 with a range of activities including training of key on-the-ground actors, review of labor agencies, and a range of other actions to be taken with a multi-industry approach for the most positive impact on workers. To strengthen its processes, the Company will also join the RBA's Responsible Labor Initiative created in 2017, focused on labor agents in the supply chain and risks associated with the recruitment of foreign workers.

On the third pillar, we plan to implement specific due diligences on the Company's projects activity in 2018. The objective of these new measures would be to make sure that our business partners also commit to respect our standards in terms of labor practices, business ethics, environment, health and safety.

In addition, a new professional alert system has been developed in 2017 and is available online since the beginning of 2018. This system, called GreenLine, allows all the Schneider Electric external stakeholders, including suppliers, subcontractors, customers and business agents, to raise a concern on the following items: corruption; conflict of interests; falsification of documents; accounting and auditing manipulation; theft; fraud; embezzlement; child labor; forced labor; human trafficking; health & safety; environmental pollution; harassment; discrimination. The GreenLine is managed similarly to the internal alert system R&ED Line; each case is dealt with internally with the highest level of gravity by the Fraud Committee. It is intended to be communicated to our stakeholders through our official website and our Supplier Code of Conduct.

2.4 Relations with subcontractors and suppliers

Description of risks and opportunities

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 Procurement volume represents more than EUR12.8 billion.

Schneider Electric has a risk management system to identify and manage critical suppliers, and uses a tool, SRIM – Supplier RIsk Management –, to capture risks and ensure the follow up of identified cases with an extended source.

The Group has also been performing sustainability risks assessments with its own purchasing specialists, supported by its Schneider Supplier Quality Management processes and the ISO 26000 assessments for strategic of suppliers (see below).

In addition, Schneider Electric is reinforcing its sustainability risk assessment by geography and type of activity as part of its duty of vigilance plan, based on the following categories of risks: human rights, environment, health & safety, and anti-corruption. In this context, Schneider Electric has performed a risk analysis in early 2018 among all its suppliers with the help of a recognized third-party expert mapping tool available through the RBA partnership. Top countries include China and India, top commodities include sheet metal and connectors regarding production procurement, and construction and travel as regards indirect procurement.

Last, in the first quarter of 2018, Schneider Electric is opening its professional alert system to all stakeholders, including suppliers.

Group policy

Schneider Electric has published a charter for its suppliers, called the Supplier Guide Book, which has been renewed in 2016 and whose first chapter sets out its expectations with regards to sustainable development in the following 5 areas: environment, fair and ethical business practices, sustainable procurement, labor practices, and human rights. These requirements are detailed in a dedicated document called the Supplier Code of Conduct.

Since 2004, the Group has been encouraging its suppliers to commit to a sustainable development initiative, first and foremost through measuring the proportion of our purchases made with suppliers who are Global Compact signatories. 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 Procurement Terms and Conditions which all suppliers must abide by: each supplier undertakes 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.

Due diligence and results

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 two specific sections on sustainability. The following have been chosen for criteria of evaluation, as most relevant "watch" areas identified for the business of Schneider Electric:

- people & social responsibility: training, human rights & ISO 26000, health & safety;
- environment: ISO 14001 and energy savings, eco-design, REACH and RoHS, conflict minerals.

It is planned in 2018 to strengthen the existing sections and add an item on child labor and forced labor, in connection with Schneider Electric's vigilance plan.

Schneider Supplier Quality Management includes 4 Supplier Assessment Modules, the last being decisive and where sustainable development criteria account for nearly 30% of supplier evaluation. In addition, all these criteria have a minimum level, below which a supplier cannot be selected to work with Schneider Electric. Schneider Electric carried out 358 audits of this type in 2017. Since 2014, the Group has launched an e-learning program which covers expectations in these fields and defines the documents and proof to be obtained from audited suppliers. In 2017, Schneider Electric has also digitized its Supplier Approval Module tool, making it more efficient and consistent across the organization.

Thanks to this new capability, all newly assessed suppliers have their action plan registered in a central database available to all in real time and making supplier interactions more fluid. 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

Strategic suppliers

A statement on the importance of sustainable development is made to each major supplier of Schneider Electric by its Group Procurement 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 7 pillars used to measure supplier performance since 2011; allowing the highest-performing suppliers to become "strategic" 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 has set to engage 100% of its strategic suppliers in a process of continuous improvement on this pillar. Strategic suppliers represent 55% of Schneider Electric's purchases volume. At the end of 2017, 88% of the Strategic suppliers have passed the third-party evaluation process, representing over 97% of the purchasing volume of these suppliers. This indicator of the Planet & Society Barometer is integrated into the performance incentive of the Procurement 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 2017, the assessment process detected 7 suppliers with low performance on the sustainable development axis. This figure is down by around 50% 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 2017 of increasing the average score achieved in the assessment. This target was reached and the average score increased by close to 5% between 2016 and 2017.

All suppliers

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 Procurement 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 strategic suppliers during the business reviews (whether assessed by a third party or not).

For off-limit situations, Schneider Electric favors 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.

In addition, in 2017 Schneider Electric has committed to implementing a comprehensive vigilance plan within its supply chain. See p. 84.

Conflict Minerals rule

In August 2012, the SEC (US Security and Exchange Commission) adopted the so called Conflict Minerals rule as part of 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 Procurement 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 also shared with all the suppliers concerned a letter from our Chief Procurement Director requesting as much cooperation as possible on this subject to establish our potential exposure.

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 we are committed to contributing to this responsible sourcing initiative as well as responding to our customers' potential concerns. At the end of 2017, we confirmed that more than 70% of the relevant purchases are "conflict-free". The remainder are still under analysis, mainly due to the number of lower ranking suppliers who are themselves in the process of developing this initiative.

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.

Another example is Schneider Electric's commitment to support the small and medium enterprises network. This support is given through an approach to work in a adapted manner with certain suppliers. In France, Schneider Electric is a major player in the International SME Pact.

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

2.5 Ethics and Responsibility

Description of risks and opportunities

As a global company, Schneider Electric is convinced 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 stakeholders. To support each employee in this approach, the Group emphasizes the importance of placing responsibility at the heart of its corporate governance.

An ethical risk matrix was created in 2015 and deployed in all entities. Results are analyzed in order to support the implementation of action plans *via* the network of *Principles of Responsibility* Advisors, depending on the level of exposure which is calculated based on 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 the ethics & compliance program, and company policies. The broad risk categories cover business integrity, diversity, harassment, health and safety, the environment, and quality.

The Group currently has around 142,000 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.

Group policy

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. The next update is scheduled for 2018. *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 (procurement, 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, since 2015, managers have been asked to sign a letter of acknowledgment to comply with and promote *Our Principles of Responsibility* to their teams.

Policies and directives

Our Principles of Responsibility are complemented by global and local policies to provide a precise response to the specific legal and local practices, as well as sector policies (procurement, quality, environment, etc.). See p. 79.

Due diligence and results

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 2 approaches:

- a detailed questioning process to take the right steps in delicate situations where necessary. This may be broken down into 3 stages:
  1. consult the special Intranet site for the program where *Our Principles of Responsibility* can be found along with all other related policies and directives,
  2. contact one's manager and/or a member of the department concerned (Legal, Financial, Human Resources (HR), Environment, etc.),
  3. contact the *Principles of Responsibility* Advisor or the Compliance Officer for the operational entity or geographical area;
- an alert process to guide employees towards the right bodies:
  1. contact one's manager, or
  2. use existing internal departments (legal, financial, HR, environment, etc.), or
  3. contact 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

The implementation of *Our Principles of Responsibility* is accompanied by a compulsory online training module updated in 2015, and training and awareness-raising actions which are organized on a regular basis, particularly for the functions and geographical areas which are the most exposed to ethical risks.

- 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, updated in 2015 with the active participation of members of the Executive Committee. Based on the MOOC methodology, this module comprises 4 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.
- Education kits for managers. This tool, first developed in 2014 and upgraded every year, presents ethical dilemma situations, gathered from employees whose professional experience has

enabled them to develop scenarios resembling the reality in the field. 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 2 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 particularly useful for the functions most exposed to these ethical issues, such as the Procurement, Sales 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 2-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.

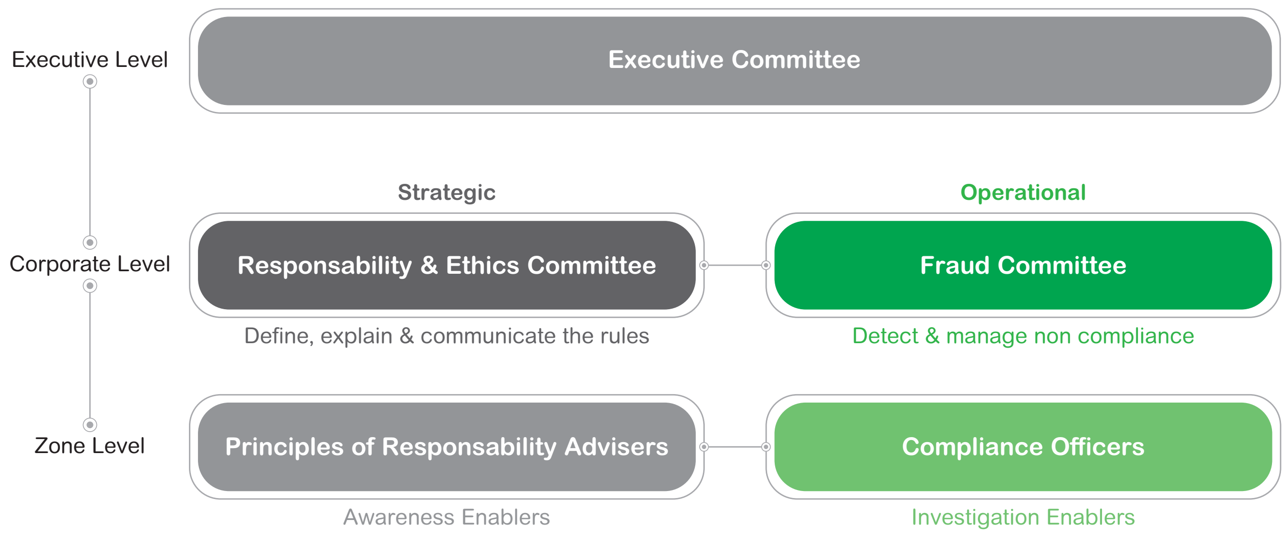
In 2017, 259 claims were escalated in the R&ED line system: 46% of them concerned potential breaches of our code of conduct on financial matters; 35% were related to potential discrimination, harassment or unfair treatment cases; the 19% remaining were related to potential violations of other Schneider Electric policies. Not all these claims prove to be established breaches or frauds.

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; it comprises 3 members of the Executive Committee: Strategy, Human Resources and Legal & Finance as Chairman of the Committee;
- 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*.

In particular, the Ethics & Responsibility Committee must ensure coherence with the Group's strategic goals. It provides information to its members from the Executive Committee on operational trends that could be incorporated into the corporate strategic program, for instance.



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.

Furthermore, since 2015, all Group entities have had to respond to an annual questionnaire on the implementation of the program. The results are checked by the internal control teams (around 5% of entities) and are then analyzed by the team in charge of ethics at the corporate level and by the *Principles of Responsibility* Advisors at the local level, who support entities with lower scores and share with them the best practices of those with the highest scores. This assessment has been used as a reference for the Ethics indicator on the 2015-2017 Planet & Society Barometer: "All our entities pass our internal Ethics & Responsibility assessment". At the end of 2017, 98.4% of entities had successfully completed this assessment.

Personal data protection

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.

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

The year 2016 was marked by the adoption on April 27 of Regulation (EU) 2016/679 of the European Parliament and Council, a general regulation on the protection of personal data, which will come into force on May 25, 2018. This Regulation, which will expand the scope of personal data protection rules beyond the borders of EU countries, is an opportunity for Schneider Electric to strengthen its global governance procedure on personal data protection, and to continue and step up its efforts to rally its entities and its employees on the subject, an essential condition for developing the trust of its employees and its customers in a digital environment.

In June 2016, training sessions on the Regulation for Schneider Electric entities were introduced, and working groups were created to build a global action plan aimed at streamlining the entities' practices in meeting the new obligations. The implementation of this action plan will be periodically monitored by the company's Management with the assistance of the Group Data Protection Officer.

Policies in areas of high political risk

As a global and responsible company, Schneider Electric has strict policies and practices in areas identified with high political risks to significantly reduce or eliminate them. The Group strictly respects all applicable embargos and trade regulations and has implemented export control organization and processes in its operations. An Export Control Center of Excellence composed of specialists monitors and enforces the export control program, deploys the awareness-raising programs and support the operational teams. The export control processes include but are not limited to due diligence screenings (embargo & restricted countries, denied party lists, dual-use goods, sensitive applications). The aim is to ensure compliance with all applicable export control law and regulations, both local and extra-territorial.

Award for excellence

The Group is proud to have been selected by The Ethisphere Institute for its 2018 World's Most Ethical Companies index for the eighth year running.

Schneider Electric is one of just 135 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.

2.6 Anti-corruption

Schneider Electric applies a zero-tolerance policy towards corruption and other unethical business practices and considers that "doing things right" is a key value creation driver for all its stakeholders. In addition to the compliance with all international and local regulations, all Schneider Electric employees are expected to comply with the Company's values of integrity and transparency. Schneider Electric will not tolerate any exception or show any weakness in ruthlessly sanctioning any misconduct.

The Company has been committed to preventing and controlling the potential occurrence of corruption within its operations for many years now. As recently underlined by the World Bank and the IMF, not only corruption is operating as a strong disincentive to foreign investments or contributes to higher-order crimes, but it also is the first factor preventing poverty reduction. The figures are impressive: businesses and individuals pay an estimated USD1.5 trillion in bribes each year, which stands for 2% of global GDP or 10 times the value of overseas development assistance[(1)].

Our actions against all forms of corruption are part of our Ethics and Responsibility program and benefit from its policies, tools (including the alert system and training) and organization (see above).

(1) Source: World Bank – Combating Corruption.

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

- a new Anti-Corruption Policy and an Anti-Corruption Code of Conduct have been disclosed and deployed through the entire organization in 2017. These two documents are now part of a set of policies focusing on business integrity with the Business Agent policy and the Gifts & Hospitality policy, created in 2015, whose deployment continued throughout the year in the different business units and subsidiaries;
- Schneider Electric is an active member of Transparency International France, 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. In April 2017, a workshop was organized at Schneider Electric's headquarters to discuss the robustness of the program and its compliance with all regulations, including the US Foreign Corrupt Practices Act, the UK Bribery Act, and the French Sapin 2 Act;
- following the success of the anti-corruption compliance certificates issued by Ethic Intelligence to the Schneider Electric's African subsidiaries for their activities on the continent (Schneider Electric Egypt & North East Africa, Morocco, Nigeria, South Africa, and ex-subsidiary Conlog), a new wave of certifications has been launched for the Middle East zone. During the last quarter of 2017, Saudi Arabia and the United Arab Emirates were the first subsidiaries to be controlled. This is a major initiative by Schneider Electric in its efforts to combat corruption on the continent which is noted for the depth of its action;
- a new online training module dedicated to the fight against corruption has been developed in 2017 and will be deployed in 2018. This 30-minute module reinforces the strong commitments of the Company in that matter and introduces ethical dilemmas based on real-life scenarios. It is mandatory for some targeted functions (Procurement; Sales; Finance) and the results will be tracked and shared publicly through the Planet & Society Barometer. This module comes in addition to the video module created in 2015 and integrated into the e-learning module dedicated to *Our Principles of Responsibility* which is compulsory and part of the onboarding package for new employees;
- specific training and educational materials have been developed for some functions, such as the Procurement function, the Tender Response and Project Implementation centers, and the Finance Department;
- information in the form of Lessons Learned was provided to Country Presidents in cases of alerts detected that underwent investigation in order to explain and give instructions on how to prevent unethical acts;
- Schneider Electric actively participates in the Global Compact France working group comprising companies with Advanced status, which tackles many subjects including anti-corruption; it contributes to the sharing of best practices organized by the organization *Cercle éthique des affaires* and by the Ethic Intelligence agency.

2.7 Human Rights

As mentioned in *Our Principles of Responsibility*, Schneider Electric complies with local laws in every country where it operates. In addition to laws, it is committed to respecting the international human rights principles encompassed in the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights and the United Nations Declaration on the Rights of the Child.

In 2011, the United Nations issued the Guiding Principles on Business and Human Rights that precisely defined the roles and responsibilities of States and businesses on that matter. As a business leader, Schneider Electric intends to follow and promote these principles. Sustainability is at the heart of its company strategy and it is convinced that energy access is a basic human right. With its new Human Rights policy approved by its CEO in 2017, Schneider Electric confirms its engagement to strive for the respect of all internationally recognized Human Rights, along its value chain.

Based on the "Protect, Respect, Remedy" framework, this policy is the first step of the implementation of the UN Guiding Principles on Business and Human Rights within the Group's operations. We are committed to working with and encouraging our stakeholders to uphold the principles in this policy and to adopt similar policies within their operations.

Concerning child labor, we are committed to respecting the Rights of the Child, including the right to free education, and therefore are committed to contributing to the elimination of child labor. In practice, we will not engage in or support the employment of children under the age of 18. Some exceptions are accepted for children between the age of 15 and 18 when professional experience is part of their education path (*e.g.* trainees, apprentices).

Along the same line, concerning forced labor, we will neither use nor support the use of forced or involuntary labor of any kind, directly or indirectly. Based on the International Labor Organization definition, the term forced or involuntary labor shall mean all work or services for which the person has not offered him- or herself voluntarily or willingly. Examples include, but are not limited to, human trafficking, slavery, debt bondage, and ID retaining.

In addition to the formulation of these principles, we are committed to providing our employees with periodic communications, training and support to promote this policy, including a program of internal skills building.

To help us on this journey, we joined *Entreprises pour les droits de l'homme* (EDH – Businesses for human rights), a leading French association of businesses providing its members with tools and advice on implementing the UN Guiding Principles on Business and Human Rights.

3. Schneider Electric's commitment to environmental performance

3.1 Overview

Introduction

Our Environmental strategy is both a reflection and an enabler of our business and profitable growth strategy, our innovation strategy, and our sheer purpose. This chapter depicts how our Environmental strategy is core to whatever we do.

With alarming scientific evidence available on climate change, resources depletion, biodiversity losses, as much as identified opportunities, we consider environmental performances and targets have to be rigorously quantified. Time has come to move away from vague "sustainability" goals, blending disconnected topics, as well from "incremental – *i.e.* year on year – resource efficiency gains ambitions", and rather ensure are addressed the bolder issues of "affordability" and "compatibility", namely:

- **Climate compatibility:** are business model and supply chain "+2°C compatible"?
- **Planet compatibility:** are resource consumption and recovery "One planet compatible"?
- **Life compatibility:** are product design and industrial practices "Life preservation compatible"?

Our compass to gauge our environmental performance is changing to reflect the above: we are now able to well understand all dimensions of our CO_2 footprint, including notably CO_2 saved on our customers' end, and therefore how we help fight climate change through our offers. External disclosure is ready and starts in 2018 within our Planet & Society Barometer 2018-2020. On the resource footprint side, we have firmed-up a global partnership with Global Footprint Network, and are working towards assessing how our solutions help #Movethedate of Earth Overshoot Day later in the year.

Description of risks and opportunities

A sound environmental strategy aims at addressing risks and seizing opportunities, and some environmental transformations impact both concurrently. Risks and opportunities are addressed as follows by environmental transformations:

- **Environmental resource productivity** (*e.g.* reduced energy and materials consumption) helps both reduce operating costs -which is a significant business opportunity with positive impact on profit & loss- and reduce risks related to resource price volatility, and availability;
- **Decarbonization of operations:** with costs assigned today to CO_2 commodity in various parts of the globe and various application domains (*e.g.* Electricity, Oil, Carbon markets and Carbon trading schemes, etc.), and considering that this trend is likely to expand going forward, it is critical for organizations to work towards -50% CO_2 emissions by 2050 as per Science-Based Targets. Organizations failing to demonstrate this may be considered as risky investments, and their value undermined. From another perspective, those companies agile in decarbonizing their supply chains, and even more their value propositions, will certainly position themselves favorably in the eyes of customers and investors alike[(1)];
- **Proactive chemical substances substitution** is again both an opportunity, as an increasing share of customers, building standards and norms, expect less and less hazardous substances in products, and a risk avoidance mechanism as well, as it helps remain ahead of regulations, notably REACH, RoHS and California's Proposition 65, as well as avoiding shortages, and preserving access to markets;
- **Circular economy innovations:** an obsession to avoid wastage, reuse, repair, retrofit and recycle as much as possible, translates into cost savings which can be massive opportunities for companies. A circular mindset also triggers process transformations, and in some cases even opens door to innovative business models enhancing customer intimacy and thus loyalty;
- **Environmental information & footprint transparency, superior environmental compliance:** more and more customers, green building standards, distributors and electricians, prefer buying or prescribing offers with strong green credentials. It is both a risk, if one is too indulgent in this domain, or an opportunity to harness if a proactive approach can be adopted: market demand can shrink or grow, products can be sold or sit idle. Such environmental intelligence is really critical;
- **Site and property environmental excellence:** ill-managed industrial processes can trigger spills and contamination of water, soil and air, and this is clearly a risk for a company as much as for the environment. However, a proactive approach towards site & property environmental risks helps preserve continuity of operations, reduce risks of unexpected legal action and avoid environmental remediation costs. In addition, removal of hazardous and chemicals substances in workshops helps preserve workers' health.

(1) See, for example, the letter from Larry Fink (Founder, President and CEO of BlackRock, Inc.) to CEOs at the end of 2017, "A sense of purpose", and the final report of the High-Level Expert Group on Sustainable Finance to the European Commission at the end of January 2018.

Other risks and opportunities from a relevant environmental strategy could also be detailed, such as Employer Value Proposition and attractiveness, reputation with analysts, governments, investors, NGO circles, and overall brand image.

Environment strategy 2020 and its pillars

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 company 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 embed everything we do, from strategy, R&D, to the value propositions to customers.

The 2020 Schneider Electric environmental strategy was defined in 2015, introduced in previous annual reports, and is structured around 6 main pillars: CO_2 neutrality strategy in our extended supply chain, resource efficient supply chain, "Waste as Worth" mindset, environmental performance delivered to customers, circular business models and innovations, increasingly stronger environmental governance (suppliers, compliance, products, etc.)

Briefly introducing the 6 domains of our environmental strategy, our 2017 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 2035 and 2050 time horizons), towards "COP21 and +2°C compatibility" with a sustained and step-by-step decoupling of our growth journey and supply chain transformations from climate implications. We have committed to set Science-Based Targets. Furthermore, through our efforts in R&D and eco-design, we have designed a broad range of products, services, and solutions bringing significant CO_2 gains to our customers, thus avoiding millions of tons of CO_2 emissions at their ends, in addition to our own supply chain efforts. As part of our 2030 commitment to carbon neutrality in our extended supply chain, we became RE100 members in 2017 and committed to work towards 100% renewable electricity in our mix by 2030. Last, we quantified CO_2 avoided by our offers at our customers' end, which allows us to take 2018-2020 commitments of 100 million tons CO_2 avoided in the period;
2) **building an increasingly Greener Supply Chain.** Resource efficiency and productivity are our mottos. In 2017 we updated the mapping of our end-to-end resource footprint (copper and other metals, plastics, packaging, wood, gases, other resources), and have an up-to-date understanding of the major impacts and stakes, and areas for further resource decoupling are prioritized. The present report contains specific sections about our initiatives and achievements towards energy efficiency, reduction of transportation and manufacturing externalities, adoption of green Best Available Techniques in our plants and distribution centers. Additionally, 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, our sites delivered a 10.3% improvement in their energy efficiency compared to 2014, which is in line with our ambitions set for the 3 year period, and follows many years of prior energy efficiency improvements (42% since 2005);
3) **considering Waste as Worth.** We drive an "obsession towards zero waste" across our facilities globally, focusing on the largest waste-emitting sites. Waste minimization, reuse, recycling, and landfill avoidance have become an integral part of our plants and distribution centers' performance scorecards, and we see constant progress. This year, we are proud to have 130 plants receiving the "Towards Zero Waste to Landfill" designation. We are successfully diverting thousands of tons of waste from landfill, year after year, and since 2014, have seen a strong increase (+7 pt) in our waste recovery ratio globally, now at 94%. Our efforts in the areas of eco-design and industrialization also add to our ability to generate less waste and be smarter with our resource use;
4) **promoting Green attributes and value-addition to our customers, and our Green Premium™ eco-label.** A growing share of our customers is increasingly valuing our offers' environmental credentials, and keen to quantify their environmental (*e.g.* kWh, CO_2, water) benefits at their end. Towards this goal, Schneider Electric has been investing significant resources for many years to design and implement an innovative eco-label, Green Premium™, which by end 2017 covered more than EUR11,1 billion (which is 80.1%) of our product-based turnover. This label benefited in 2017 from a further set of innovations, such as new features of our MySchneiderApp with increasingly easy 24/7 access to digitized environmental information (REACH, RoHS, Product Environment Profile/PEP, End-of-Life Instructions/EoLI). We also achieved UL (Underwriters Laboratories) certification of our underlying eco-design processes against relevant ISO norms. Quantification of CO_2 gains for large projects met the target of 100% set in 2017;
5) **implementing a Circular Economy in a variety of ways for our customers' satisfaction.** Schneider Electric circularity expresses itself in many ways. We again grew our field services and retrofit (EcoFit™) revenues in 2017. Such services help prolong our products' lifetime, and this helps our customers 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, like an extraordinary magnifying

glass that helps drive further innovation and value-addition for our customers and the planet alike; we took part in many multi-stakeholders' consultations in Europe, China and France on this subject, in a dynamic move towards a more circular economy. Our partnership with the Ellen MacArthur Foundation CE100 initiative on the circular economy helps us innovate faster;

6) **constantly strengthening our efforts towards robust environmental governance.** Besides the 5 strategic and transformational dimensions summarized above, we can also stress our efforts towards environmental stewardship in the way we select and grow our supplier base (more than 1,000 independent 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 company program, we meanwhile strive to address key risks and changing expectations of our global ecosystem.

Key targets and results

For this section, 7 key performance indicators have been set in the Planet & Society Barometer 2015-2017:

Objectives for year-end 2017	2017	2016	2015	2014
1. 10% energy savings	10.3% ▲	7.1%	4.5%	-
2. 10% CO_2 savings from transportation*	10.3% ▲	11.2%	8.4%	-
3. Towards Zero Waste to Landfill for 100 industrial sites	130 ▲	99	64	34
4. 100% of products in R&D designed with Schneider ecoDesign Way™	100% ▲	81.6%	13.3%	-
5. 75% of product revenue with Green Premium™ eco-label	80.1% ▲	74.8%	67.1%	60.5%
6. 100% of new large customer projects with CO2 impact quantification	100% ▲	16%	-**	-
7. 120,000 tons of CO_2 avoided through maintenance, retrofit and end-of-life services	168,400 ▲	101,508	44,777	-

The 2014 performance serves as a starting value for the Planet & Society Barometer 2015-2017.

▲ *2017 audited indicators.*

* *2017 being the last year of the 2015-2017 plan, the methodology for calculating this indicator in 2017 has been supplemented, see note on pages 131 and 132.*

** *Results measured from 2016 (measurement tools deployed in 2015).*

Please refer to pages 131 to 134 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 99-100 for indicator 1, 100 for indicator 2, 104-105 for indicator 3, 96-97 for indicator 4, 96 for indicator 5, 93 for indicator 6 and 104 for indicator 7).

Organization

At Group level, the Environment Senior Vice-President determines the Group's environmental strategy covering subjects from the definition of green offers (eco-design) and the associated marketing and communication, to environment actions in manufacturing and logistics. He is in charge of the Group's Resources, CO_2, and Substances strategy.

The network of leaders driving environmental transformations consists of:

- for the design and development of new offers: eco-design and environmental managers in each Business Unit in charge of integrating key environmental issues into the development of offers and product design, and environmental managers in charge of communicating relevant environmental features to customers;
- for the management of industrial, logistics and large tertiary sites: Safety and Environment Vice-Presidents are nominated in each region, with dedicated teams reporting to them. They are responsible for implementing the Group's policies across all sites in their geographical perimeter, including plants and distribution centers, as well as some services sites, national and regional headquarters, commercial entities and R&D centers. In each region, managers coordinate teams across a group of sites (clusters), as well as for each site. These environmental and safety leaders are in charge of reporting on performance as well as coordinating progress plans;
- for logistics: the Logistics Senior Vice-President 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: environment managers and safety champions are appointed, in 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 correspondents, in functions such as: Procurement, 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 consistent adoption of Environment policies and standards throughout the Group. To implement these policies, Environment leaders coordinate a network of more than 600 managers responsible for the environmental management of sites, countries, product design and marketing.

This network has access to a wide range of resources including directives, standards, policies, best practices, benchmarks, implementation guides, all of which are shared in dedicated intranet site and databases.

Leading experts in various environmental fields (eco-design, Energy Efficiency, Circular Economy, CO_2, etc.) are identified globally and annually a process recognizes those individuals who own a specific expertise the company is keen to maintain and grow. Such experts are named Edisons, and there are 8 specific domains where such Edisons were identified, one of them being Environment. Each year, an Edison Environment is expected to dedicate 10% of his/her time to lead a global initiative related to his/her expertise, such as development of an e-learning, a new standard, or an innovation.

To educate all employees on environmental issues, and to give them the necessary skills, e-learning modules have been developed on topics such as the circular economy, CO_2 and eco-design. Additionally, an Environment Intranet site is accessible by all employees to inform them about our ongoing programs, best practices, results, goals and upcoming deadlines.

On June 5th, 2017 on UN World Environment Day, as each year for last 5 years, 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 to share innovations in the areas of CO_2 and the circular economy, both internal to the Group and external in association with local communities. The tagline of our Global Environment Day was "A Passion for Green Growth", which summarizes how we see the environment at Schneider Electric.

In 2017, environmental performance was also reported and discussed in various other instances:

- quarterly reviews with Global Supply Chain leadership;
- quarterly steering committees with Business Units, discussing progress on eco-design, the Green Premium eco-label and product environment stewardship initiatives;
- bi-yearly review with Finance of climate bond progress, and of environmental provisions;
- multiple *ad hoc* sessions and presentations in the Group Audit Committee, board of directors, Executive Committee, Human Resources committee, Sustainability Committee.

3.2 Environmental excellence in offer design and for customers

Over 2017, Schneider Electric has developed and reinforced its initiatives related to environmental excellence in offer eco-design, not only to comply with the latest changes in regulations (*e.g.* new REACH article 33 interpretation) but also to support our businesses to match raising expectations from a sustainable perspective (*e.g.* Green Building Certification such as LEED or BREEAM, Living Building Challenge).

Schneider Electric therefore redesigned its Green Premium eco-label in 2017 to firstly better spell-out clear customer benefits, secondly better differentiate environmental value propositions per market segment (food & beverages, oil & gas, etc.), leveraging its complete offer portfolio with products, services and solutions for dedicated applications. This new program, designed and tested in 2017, is ready for roll-out.

Description of risks and opportunities

The Schneider Electric eco-design approach participates in reaching the UN Sustainable Development Goals (SDGs). It contributes to SDG 12 "Responsible consumption and production" through 'beyond regulations' requirements dealing with the health profile of our products, the optimization of resource consumption, superior serviceability (preventive maintenance, real-time tracking of consumption, etc.) thus enabling a more circular economy. It also supports SDG 9 "Industry, Innovation and Infrastructure" and SDG 13 "Climate action" by setting clear and quantifiable environmental targets at the early stage of each new product development project. Our eco-design approach is mandatory for all new offer development. It has been certified by UL Environment in compliance with IEC 62430. This enables risk avoidance, applying and even anticipating the strictest regulations and standards, making our offers already comply with numerous regulations and standards under development in Europe, the US or China. Throughout the life cycle of our offers, most constraints are integrated at the earliest stage of the design and development process to avoid disruption or trade-off to non-sustainable solutions.

Such an approach opens opportunities to boost innovation and enable the circular economy. The systematic and systemic approach allows capitalization and continuous improvement of environmental performance. New alternatives are identified to reach the environmental targets by leveraging the IoT, challenging materials selection or manufacturing processes, optimizing logistics and providing new services throughout the product lifetime. It allows us, as leader in our sector, to push for more transparency and challenge the end-to-end supply chain of our industry.

Technological opportunities: regulatory watch and anticipation of the restrictions on the use of certain substances stimulate a substitution program through the research and development of new materials (recycled, bio-sourced, compostable) or new technologies (more energy efficient, easier maintenance, easier to dismantle, etc.) to lower CO_2 impacts overall.

Manufacturing process efficiency opportunities: for instance, integration of regrind or recycled products or by-products, optimization of transport packing.

New solutions and business model opportunities: working closely with all players across the value chain from suppliers to customers to co-develop shared solutions to tackle waste allows innovations to support the circular economy. Services such as retrofit offers are good examples of new business models: Schneider Electric collects equipment containing SF_6 to process it responsibly and replace it with alternatives.

Group policy

The Schneider Electric policy on eco-design is organized around the following components: Green Premium eco-label, Product ecoDesign Way, Materials and Substances Directive, REACH Regulation, RoHS Directive, WEEE Directive. These policies and their applications in Schneider Electric, as much as their 2017 results, are summarized in the next section.

Due diligence and results

Green Premium eco-label

In order to sustain and strengthen its commitment to transparency, strong product environmental credentials, and the proactive provision of full environmental information in a digital manner, 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 online.

A product is declared Green Premium if it meets the following 4 criteria:

- it complies with the European RoHS directive;
- it has information concerning the presence of Substances of Very High Concern (SVHC) under the European REACH regulation and refers to the most recent list;
- it 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, against 27 dimensions;
- it 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).

Green Premium is an integral part of the design and development process of new Schneider Electric offers.

Green Premium is the visible arm 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, in relation to stringent regulations such as RoHS and REACH. We surveyed more than 1,500 Customers over 8 countries and their feedback helped us identify strengths as much as areas for further development of the eco-label, which were defined in 2017 and are ready for roll-out.

End of 2017, Schneider Electric has delivered 80.1% of product revenue with the Green Premium label, exceeding the target of 75%. This represents EUR11.1 billion in product sales.

Product ecoDesign Way

Since early 2015, the design teams working on new products and solutions have been committed to Schneider Electric's systematic approach of eco-design called ecoDesign Way. This method 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 at the earliest stage. Dimensions considered at each new offer development, through ecoDesign Way, cover CO_2, resource footprint, circularity, chemical substances, energy efficiency, etc.

Schneider Electric's climate bond of EUR300 million (issued in 2015) has been spent over the 2015-2017 period as per commitments, financing Research & Development projects to develop products with either lower-CO_2 content, longer lifespan, better energy efficiency performance, more 'circular', each contributing to fight climate change.

In 2017, 100% of our new offers (> EUR300,000 budget) were designed according to our ecoDesign Way process. This achievement benefits our customers by helping them enjoy superior products, and achieve their own commitments of carbon neutrality, energy efficiency, circular economy or other.

Materials and Substances Directive

The Schneider Electric strategy for materials and substances used in products is reflected in a Schneider Electric internal directive, deployed globally, and 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.

The ambition is to be closer to the market expectations, to comply with the most stringent regulations and directives in terms of human and environment protection, and finally, to anticipate the obsolescence of materials or components to secure the supply chain.

The Schneider Electric Materials and Substances Directive sustains and grows innovation in plastics and new materials in connection with the Ellen McArthur Foundation, and a number of other multi-stakeholder materials innovation initiatives. At the earliest stage of the ecoDesign Way, targets for recycled, reground and bio-sourced contents are specified accordingly.

REACH Regulation

Since 2008, Schneider Electric has anticipated and modified the design of its products in order to comply with and go beyond REACH Regulation (EC 1907/2006). Schneider Electric has expanded the scope of application of this regulation to all its production in all countries in which the products are marketed.

The REACH Schneider electric 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 Annex 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 eco-design policy declares them as substances for substitution;
- adapt the Safety Data Sheet management process based on REACH requirements.

In 2017, Schneider Electric delivered new simplified and rationalized REACH tools and declaration processes to implement the European Court of Justice decision of September 10, 2015 in case C-106/14. Teams have been trained to implement the new REACH declaration process. The complete deployment is expected to address the full Schneider Product portfolio (350,000+ references) within 2 years.

In addition in 2017, Schneider Electric continued its vast substitution plan to replace substances under the REACH authorization process. At the end of 2017, almost the entire Schneider Electric portfolio declared no substance above thresholds, and substitution plan is monitored monthly.

The Substance Management programs are supported by a proactive collection of environmental declarations from material and component suppliers. In 2017, Schneider Electric collected c.90,000 environmental declarations from its suppliers.

Schneider Electric new REACH declaration process has been audited and validated by UL against EN 50 581 standard.

RoHS Directive

Since 2008, Schneider Electric has anticipated and modified the design of its products in order to comply with and go beyond RoHS Directive (2011/65/EU). Schneider Electric has expanded the scope of application of this directive to all its production in all countries in which the products are marketed.

The RoHS Directive is intended to eliminate the use of certain hazardous substances in electrical and electronic equipment. By deciding to eliminate these substances from all its products, whether or not affected by the directive or sold on the European market, Schneider Electric has exceeded the directive's requirements.

New substances (4 phthalates) have now been incorporated in the RoHS regulation (entry into force in 2019) and modifications in our IT systems and processes have been carried out in order to take this evolution into account.

In 2017, over 88% of Green Premium eligible turnover is made with RoHS compliant products. A special effort was made on products that entered the legal scope in mid-2017.

In 2017 as well, 99,99% of RoHS China's eligible turnover is made in compliance with this regulation.

In 2017, as for REACH, the Schneider Electric RoHS declaration process has been audited and validated by UL against EN 50 581 standard.

WEEE Directive

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.

3.3 Eco-efficient manufacturing

Description of risks and opportunities

In the context of Schneider Electric's environmental strategy, the eco-efficient manufacturing of the products and solutions the Group offers to its customers is a major element in 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 manufacturing its products and solutions.

Environmental risks related to manufacturing include soil, water, and air contaminations. For instance, release of hazardous substances in natural ecosystems or public infrastructure can be harmful for health, disrupt continuity of operations, or tarnish reputations. On the other hand, resource intensive processes increase the cost of goods sold (COGS), and decrease competitiveness. In a nutshell, lean and clean operations help avoid risks.

Positive opportunities or strong eco-efficient manufacturing practices are many, based on lean, agile, efficient processes, as for any industrial company. Leveraging our own energy management and resource efficient technologies is also a great opportunity for Schneider Electric to showcase the value addition of its offering in a real industrial context.

Group policy

We have a number of policies related to eco-efficiency, one of them is our overall Group environment policy, which encapsulates our key guiding principles in the field of environment, resource efficiency, climate change, etc. Regarding eco-efficient manufacturing, it is the Group's goal to:

- minimize the environmental impact of our facilities, especially by reducing the consumption of natural resources and the generation of waste and emissions related to Company activities;

- implement environmental 'Best Available Techniques (BAT)' across our processes and activities;
- operate in compliance with all applicable environmental regulations, and be a proactive player locally to build collaborations when required;
- involve our employees, suppliers and other business partners in our continuous improvement process.

Due diligence and results

Reduction of CO_2 emissions

Description of risks and opportunities

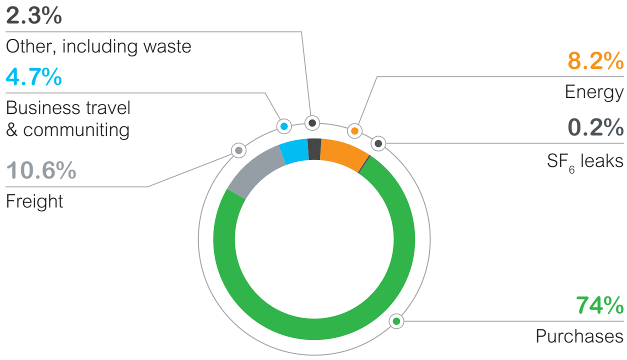
As a corporation, we are strongly aware of climate change and we take an active part in a variety of multi-stakeholder organizations to join together and promote solutions, attribute a price to CO_2, and strengthen CO_2 governance globally. We know how much climate change can be a threat and trigger risks for the global economy and population. We also see massive opportunities for companies and practices which are "part of the solution" to grow their own relevance and revenues. Clearly, working to build a low-carbon economy is a wise strategy, and we are on the side of activists in this aera.

As far as climate change risks in the form of a possible future cost of CO_2 are concerned, we have estimated the possible impacts on our 400 to 500 ktCO_2/year (scopes 1 and 2 as per the Greenhouse Gas Protocol -mostly energy and electricity related).

CO_2 footprint

The main source of Schneider Electric's end-to-end (*i.e.* Scopes 1, 2 and 3 included, as per the Greenhouse Gas Protocol) carbon footprint is the purchase of raw materials and equipment (c.74% of our carbon footprint). Emissions due to the use and end-of-life of our products and solutions are not yet included in our reporting. In 2017 we have been developing a methodology to quantify CO_2 avoided and induced by our offers at our customers, and quarterly reporting of such data is lined-up for 2018 onwards.

Logistics, including freight paid by Schneider Electric, represents 10.6% of our carbon footprint. Emissions in Group buildings represent 8.2%, employees' travel and waste respectively 4.7% and 0.6%. Emissions from SF_6 leaks in our facilities are continuously decreasing and represent 0.2% of our carbon footprint. Overall, scope 3 emissions represent around 90% of our carbon footprint. The diagram below represents Schneider Electric's 2017 carbon footprint on scopes 1, 2 and 3 from the upstream activity of all its suppliers to the downstream logistics activity to distribute its products to its customers.



Schneider Electric has reached the A level in CDP Climate (former Carbon Disclosure Project) in 2017, for the 7th year.

Group policy

CO_2 reduction has been a focus for Schneider Electric for many years. Periodic 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 COP23 year (2017), we can mention the following initiatives and achievements:

- we reaffirmed our 10 CO_2 commitments taken in 2015 ahead of COP21; the overarching goal we pursue is carbon neutrality of Schneider Electric's extended supply chain by 2030, accounting for end-to-end CO_2 emissions and avoidances throughout the value chain;
- in 2017, we firmed-up a membership of the Climate Group RE100 initiative, reflecting our commitment to become 100% renewable electricity-powered by 2030, with an intermediate target of 80% by 2020;
- in 2017, we also multiplied initiatives, from One Planet Summit joint leadership on the business track, steering close to 100 companies committed to aggressive climate strategies. We joined the Climate Leadership Council in the US, alongside other leading companies.
- our (scopes 1 and 2) CO_2 reduction targets are in line with the recommendations of IPCC scientists to limit global warming to 2°C, and we joined the Science-Based Targets initiative (initiative supported by CDP, United Nations' Global Compact, the World Resources Institute and WWF);
- regular follow-up of our EUR300 million Climate Bond dedicated to financing low-CO_2 innovations providing more than 10% CO_2 gains compared to reference 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;
- 168,400 tons of CO_2 avoided since 2015 through maintenance, retrofit and end-of-life services;
- reduction of 10.3% in our energy footprint compared to 2014 and issuance of an Energy Policy to further drive the reduction of our energy intensity and CO_2 emissions;
- reduction of 10.3% in our logistics CO_2 footprint in the 2015-2017 period on average, compared to 2014 baseline, ahead of our objective of 10%[1];
- commissioning of renewable (solar in most cases) energy sources on some of our key manufacturing and commercial sites, enabled by Schneider Electric solutions: Thailand, India, Singapore, France, US.

Overall, we first actively work towards the constant reduction of our own CO_2 impacts across our supply chains, from raw materials extraction and manufacturing, to product end-of-life management. Second, we constantly work towards quantifying in a more precise manner our various forms of CO_2 avoidance contributions to our customers, and thus to the world. We clearly aspire to carbon neutrality and believe we are a part of the solution, and we are ready to communicate in 2018 on how we positively impact climate through our innovations and solutions for our customers.

Reduction of SF_6 emissions

All Schneider Electric manufacturing plants and R&D laboratories handling SF_6 gas in their processes are managing the reduction of SF_6 emissions during the different phases of their activities. Notably, the seal testing processes of the products are mainly done with helium instead of SF_6. This method ensures that no emissions are coming from non-compliant enclosures during the production time.

The SF_6 leakage rate is still decreasing: from 4% in 2008, the global rate was 0.29% by end–2017. This SF_6 leakage reduction enabled CO_2 emissions to be reduced by 3,700 tons of CO_2 equivalent in 2017 *vs.* 2016.

A worldwide community of SF_6 experts is sharing best practices for processes, including procedures, equipment, training. Thanks to this global activity and to the commissioning of efficient equipment, we are heading towards the 0.2% target set for 2020.

Energy Action program

In general, Schneider Electric sites are low consumers of energy, compared with other industries, because of the mainly "discrete" and "assembly" nature of our industrial processes. 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 to drive energy efficiency and CO_2 reduction.

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

- reducing the Group's CO_2 footprint, as part of our ambitions for continued reductions in greenhouse gas emissions and in line with our COP21 and Science-Based 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 energy efficiency solutions and how they themselves can contribute to CO_2 savings.

The Schneider Energy Action program uses Schneider Electric energy service activities internally to report and analyze energy consumption, to identify energy savings opportunities and to deploy actions.

Notably, energy reporting is delivered with Resource Advisor software suite, part of Schneider Electric EcoStruxure™ platform. Resource Advisor 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.

In addition, many initiatives and awareness campaigns are implemented internally to empower our employees in our CO_2 journey. The objective is to improve understanding of the short and long-term benefits of energy efficiency and renewable energy actions. There is also a dedicated Intranet site that provides information on progress and the results obtained as part of Schneider Energy Action.

Around 8% of total Group CO_2 emissions come from energy consumption at its sites (according to our latest carbon footprint on scopes 1, 2, 3 from upstream suppliers to downstream distribution). Since 2005, Schneider Electric has fixed annual objectives for reduction and publishes (internally) the energy consumption of each of its production and logistics sites each year, as part of the Schneider Energy Action program.

The Group set 10% reduction goals in each of the past 2 company programs (2009-2011, 2012-2014), and exceeded the targets by achieving 10% and 13%, respectively, totaling 23% reduction over the past 6 years.

The 2015-2017 company program includes the following objectives:

- reduction of energy consumption by 10% over 3 years compared to 2014;
- deployment of certification for energy management systems in accordance with standard ISO 50001, aspiring to certify 150 sites (*i.e.* covering a significant part of the Group's energy consumption) by 2017;

(1) 2017 being the last year of the 2015-2017 plan, the methodology for calculating this indicator in 2017 has been completed to reflect the average reduction in tons of CO_2 over the period.

- identification of opportunities to reduce energy consumption in 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.

At the end of 2017, this program enabled the following achievements:

- 10.3% reduction in energy consumption compared to 2014 was achieved (climate and level of production standardized) for the 218 sites with the highest consumption, covering 83% of the total energy consumption published by the Group; this result exceeded the overall objective to reduce energy consumption by 10% end of 2017 compared to 2014;
- 130 sites are ISO 50001 certified, close to the 2017 aspiration of 150;
- about EUR8.5 million and 115 million kWh were saved in 2017 compared to 2014 baseline, thanks to the 10.3% energy savings;
- about EUR12 million was invested, of which EUR11.6 million in capital costs and EUR0.4 million in operating costs.

Freight and Logistics CO_2 reduction

Schneider Electric is a worldwide company located in more than 100 countries. Thus, a robust transport plan has been set up to connect our factories and distribution centers as well as to deliver to our customers. In 2017 we shipped 2,400 kilo tons of goods, including 74% by road freight, 23% by ocean freight, and 3% by air freight (*e.g.* for non-local time-sensitive shipping and for some electronic products that are sensitive to ocean weather conditions). The related CO_2 emissions are part of our scope 3 of the GHG protocol as this activity is performed by transport suppliers.

From 2015 to end-2017, as part of the company program and the Planet & Society Barometer, we set up a new CO_2 transport emissions reduction program, with the ambition to achieve a reduction of 10% over 3 years. At the end of 2017, we reached the target by reducing our transport CO_2 emission on average by 10.3% over the 3 years. 2017 being the last year of the 2015-2017 plan, the methodology for calculating this indicator in 2017 has been supplemented to reflect the average reduction in tons of CO_2 over the period. Annual performances compared to 2014 were: -10.6% in 2015, -13.5% in 2016, and -7.3% in 2017. The 2017 result is a bit behind the average reduction due to significant air shipment activity in Q3 and Q4 to support growth.

Regarding intercontinental freight, in 2017, the CO_2 emissions of air and sea transport decreased by 4.5% (-16% in 2015 and -18% in 2016). 2017 performance is still good but was impacted by the increase in air shipments at the end of the year, which is an major contributor to CO_2 emissions. On the other hand, the container load factor is still a major contributor and mitigates the air increase impact.

Regarding continental freight, in 2017, the CO_2 emissions of road transport reached a very good performance, decreasing by 18%. We are reaping the benefits of the Lead Transport Providers strategy and the implementation of a Transport Management System in several regions which optimizes the truck load factor and reduces the number of trucks.

To continually improve the CO_2 emissions performance and the quality of the reporting, Schneider Electric is currently negotiating a partnership to standardize CO_2 emissions reporting. The methodology has been certified by Bureau Veritas. We will continue the collaborative work with our forwarders to reduce CO_2 emissions mainly by: use of low carbon transport means, optimization of our transport means, and piloting advance low carbon transportation technologies *e.g.* electric vehicles.

ISO 14001 certification of industrial and tertiary 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 employees be ISO 14001 certified within 2 years of their acquisition or creation.

The extension of this internal directive to large tertiary sites with more than 500 employees was launched in 2010. For instance, the Group's headquarters in Rueil-Malmaison, France was certified in 2010. 263 sites are certified ISO 14001 as of the end of 2017.

All these sites contribute to environmental reporting and therefore to the Group's environmental targets. The ISO 14001 certification helps implement continuous improvement actions and processes to reduce the main environmental impacts of sites, as shown in the table on pages 139-141:

- energy consumption;
- scope 1 and 2 CO_2 emissions (generated by energy consumption and SF_6 emissions);
- amount of waste produced, percentage of waste recovered and number of sites achieving "Towards Zero Waste to Landfill";
- consumption of water;
- VOC emissions (Volatile Organic Compounds).

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

Water consumption

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.

The Group provides a detailed breakdown of water consumption per source, with details on water consumed from the public network, groundwater, surface water (lakes, rivers, etc.) and other sources of water (rain, recycled water, etc.). Water drawn for the sole purpose of cooling and immediately released without alteration is also monitored in a separate reporting.

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

Water is essentially used for cooling purposes, sometimes for sanitary and, in certain sites, for processes such as surface treatment. In the latter case, industrial water discharge is subject to appropriate treatments to reduce pollutant potential and 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 in 2012 and designed to better understand the uses of water within the Group, and therefore its exposure to water-related risks, and to reduce consumption. Particular attention is paid to the highest-consumption sites and those located in areas of water stress.

Water consumption is monitored quarterly, with detailed analysis of the different water usages (process, HVAC/Heating Ventilation and Air Conditioning, sanitary, canteen and gardening).

The diagram below presents the breakdown of the Group's water consumption per usage:

Notes: other usage includes exceptional water usage such as water used for construction of new buildings. HVAC = Heating, Ventilation, Air Conditioning. Sanitary, canteen, and gardening usage represents 70% of the total. Industrial processes represent 27%.

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 sanitary facilities and canteens will be impacted by headcount changes and water used for processes will be impacted by changes in production levels. The Group also monitors 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). 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. The Group maintained a 22.8 m^3/person rate in 2017 compared to 2016. The Group was unable to meet its goal of 18.8 m^3/p. Several factors contributed to this performance. The Group has an increased headcount since 2014, but only 30% of the Group's water consumption is linked directly to headcount (sanitary and canteen). 27% of the water is linked to production, which is independent of headcount, especially with automation efforts continuing to reduce headcount while increasing production. HVAC also accounts for 34% of the Group's usage, which is dependent on a facility's square meters and external temperature, not headcount.

Conditions of use and release into the soil

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.

In 2017, Schneider Electric manufacturing sites conducted their annual review of pollution risks as part of ISO 14001 monitoring. No new issues were reported in 2017. Hazardous materials are systematically stored, handled and used in compliance with regulations and with appropriate pollution protection mechanisms. As part of the Towards Zero Waste to Landfill program, additional focus was made on hazardous waste. Proper disposal of this waste was part of the metal and non-metal requirements. Efforts to eliminate, substitute, or improve treatment of hazardous waste are embedded into the Towards Zero Waste to Landfill program.

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, as part of ISO 14001 certification. Discharges are tracked locally as required by current legislation.

No spills or discharges were reported in 2017.

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

VOC (Volatile Organic Compounds) emissions have been identified as material at Group level and are therefore included in the Group's reporting. VOC emissions are primarily linked to production and have increased with increased production. As such, the VOC kg/person have also increased, from 6.0 kg/p in 2016 to 6.2 kg/p in 2017, because of a similar headcount compared to 2016. However, efforts are still being made to eliminate or substitute materials/processes that emit VOC.

Finally, CFC and HCFC emissions are monitored locally, in accordance with national regulations. These emissions are due to the operation of air conditioning systems, and are not directly linked to our industrial activities. They are not consolidated at Group level.

Noise, odors and light

All Schneider Electric sites comply with noise and odor regulations wherever they are located. Given the nature of our activities and distribution model, we do not have any light pollution externality.

Environmental risk management and prevention

The Group takes a proactive approach to managing environmental liabilities. Environmental regulatory compliance, environmental management systems and continuous improvement are the foundation of the Group's environmental risk management and prevention program for current, former and prospective operations.

On this topic, we have a number of initiatives in place, and we can throw light on major ones which were again executed in 2017:

- our Integrated Management System (IMS) covers all our supply chain sites (plants, distribution centers, large offices) and hosts our ISO 14001, ISO 50001, ISO 9001, and OSHAS 18000 compliance management systems. Each site is audited periodically, either externally by Bureau Veritas (every 3 years), or internally. Such a program is a key pillar towards robust environmental governance;
- our CLEARR program (Company-wide Look at Environmental Assessment and Risk Review) was successfully rolled-out in 2017 again, mapping more than 250 industrial sites and their historical and current potential environmental risks, addressing those in a systematic manner;
- a number of other initiatives aim at identifying, reviewing, preventing, removing identified issues or risks:
  - periodical environmental risk and provisions reviews are done locally with Finance and Legal function,
  - annual presentations are made to the board's Audit Committee on this matter,
  - our company-wide risk repository reflects our biggest environmental risks (on suppliers, products, sites, customer projects fronts),
  - as part of mergers, acquisitions and disposals, we conduct thorough environmental due diligence of sites where chemicals are or have been used. Any environmental risks or liabilities identified are addressed through proper risk management activities,
  - in addition, we use third-party services to assess each of our key sites "risk profile", in relation with a certain number of external risks such as fire, earthquake, flooding and other meteorological events. Through this process and our Business Continuity Planning efforts, we endeavor to gauge related risks and anticipate possible steps which would be required. With 200+ plants globally, we believe our footprint is balanced geographically. The nature of our manufacturing processes (mainly assembly) allows rebalancing of manufacturing lines in a fairly prompt manner, if needed.

Through our ISO 14001 program, the Group actively manages the potential for impacts to the natural environment at our industrial facilities. ISO 14001 certified sites have thoroughly evaluated environmental risks and potential impacts and identified mitigation strategies as part of an overall environmental management system. The combination of preventive and corrective action plans required under the standard ensures that environmental risks are well managed. Emergency preparedness and response, also an element of ISO 14001, ensures sites have considered an array of potential risks and have practiced, through regular drills, established procedures applicable to their specific site operations and risk profile. Finally, certified sites have demonstrated systems for monitoring, measurement and corrective action in the event non-conformances are identified.

We manage historical environmental liabilities on a regional level to ensure local expertise, regulatory knowledge and cultural awareness is applied. Using external consultants, known environmental issues are thoroughly investigated, and if appropriate, remediated or otherwise managed through engineered or institutional controls to reduce potential risks to non-significant levels and in compliance with local regulations.

During 2017, no new material environmental impacts were identified. Furthermore, no Schneider Electric sites are Seveso classified.

Implementing smart energy management for smart factories

As part of Schneider Electric's supply chain transformation named "Tailored Sustainable Connected supply chain 4.0" (TSC 4.0), we worked in 2017 to ensure our sites fully leverage the full potential of energy management technologies and the power of our own EcoStruxure™ architecture, to sustain our energy efficiency trajectory, and use our own industrial and tertiary sites as showcases for our customers and business partners. Our 3-layer EcoStruxure™ architecture for Power and Building has been implemented in multiple sites in India, China, the US, Mexico, Europe, and leverage physical assets such as energy meters and sensors, then an "Edge control" layer (PME for Power Monitoring Expert) which in each site aggregates and helps analyze the energy and power profile, and lastly a cloud and analytics layer with Resource Advisor as the overall cloud software platform to help monitor and analyze.

3.4 Circular economy

Overview

The circular economy concept has gained further momentum in 2017. There is a growing awareness that most industry sector models are too linear ("take, make, dispose") and not circular enough (*i.e.* with a strong focus on repairing, servicing, retrofitting, reusing, and recycling).

The circular economy encompasses many of the activities Schneider Electric has already been doing for years, like servicing, repairing and recycling equipment. Of course, a 360° look at how "circular" we are allows us to view our processes and customer relationships through a new lens, thus identifying new avenues for innovation and growth.

Description of risks and opportunities

The risks we see are mainly around the perception of 'one size fits all' for circularity, and related to this, the focus on developing the related guidelines/governance and standards based on this perception.

- Product durability *versus* shorter-term waste loops: we believe the biggest impact of the circular economy will come from evolving business models and from extended product lifecycle (durability), as well as promotion of reparability, upgradability, "retrofitability" and of related "product second- and third-life services". We see a risk that the regulations under preparation may emerge as too "resource/waste centric". Indeed, to meet quality and safety expectations, and adhere to stringent electric and electronic equipment standards, recycled materials are sometimes not available in either quantity and/or quality. We actively advocate sector-specific approaches to the circular economy.
- Guaranteeing the sustained quality of products through qualified and certified services: while promoting services to extend the product life, we grow the ranks of certified experts on our products (our thousands of Field Services Representatives and our Field Services business partners). Leveraging the circular economy, we believe there is a fantastic opportunity to enable more repair, retrofit, and recycling services, provided concerned product categories are adequately maintained and serviced by qualified and certified experts, thus ensuring the security and safety of people and assets.

Since the circular economy concept, though gaining momentum, is still in nascent stages in regard to standards and regulations, to take part to multi-stakeholders' discussions, we have been involved, from very early stages, in various forums like the Ellen McArthur Foundation, World Economic Forum, Fieec, Gimelec, Capiel, Afep, European Policy Center, Gartner Group, and SCM World, among others.

The circular economy enables additional avenues to innovation and to capture untapped growth. While there is a multitude of opportunities to leverage circular initiatives within our Company, they can be grouped and summarized into two main areas:

- contribution to create 'relationships-for-life' with customers: by far the most strategic pillar of our circular economy strategy, with key characteristics of our offers being serviceable, upgradable, connected (IoT), longer-lasting, retrofitable, refurbishable and green. New forms of customer relationships also exist, such as leasing, performance contracting, pay-per-use, asset portfolio management, secondary market access and take-back schemes. These initiatives are sources of innovation.
- bottom-line improvement through enhanced resource productivity: another opportunity through the circular economy is reduction of our costs through the decrease in our resource intake (eco-design at offer creation process level, optimal industrialization, trained/sensitized suppliers, reuse and recycling of 'everything'). It will also include a set of significant efforts towards generating revenues from waste resale (metal, plastic, and e-waste monetization, among others). Packaging waste reduction and optimization is also seen as a source for further savings.

Group policy

We continue to be part of the Circular Economy 100 (CE100) program of the Ellen MacArthur Foundation. This brings together other companies the world over to share innovations, partnerships and best practices in the circularity domain.

At Schneider Electric, we run transformation programs which relate and map to the circular economy opportunities in 2 ways:

- Customer-Relationship circularity (also referred to as product and value proposition circularity);
- Resource circularity.

Customer-relationship circularity refers to the continuation of our efforts to build products which last longer (most of our product ranges today offer a lifespan of 10 to 40 years, and which come with a range of services for modernization and upgrades, retrofit, etc., thus prolonging their lifespan). Through digitization, IoT and the connected nature of our offers, we are able to closely monitor product operations and customer needs. Hence, such value propositions come with clear value addition for customers in the form of reduced operating expenditures (Opex), increased continuity of operations, and lower total cost of ownership.

By end-2017, we had already introduced into our offer creation process the mandatory criteria for serviceability/reparability and rating at early stage gates for 100% of our new products (as part of our ecoDesign Way program). We continue the design and promotion of product end-of-life services and take-back, and of related reverse logistics. Over the next 3 years, we are committed to avoid consuming 100k metric tons of primary resources through our EcoFit, recycling and take-back programs.

For example, Schneider Electric's EcoFit program was developed to facilitate equipment upgrades by replacing only certain key components, rather than replacing a whole system. In addition to extending the equipment's useful life at a fraction of the cost of outright replacement, these upgrades also typically boost functionality, add communication capabilities and enable networking, maintaining —or even increasing— its utility for years to come. This typically results in spending less money, using fewer natural resources, causing less process disruption, and increasing the resilience of the business or operation.

Resource circularity relates to our efforts to use fewer, recycled and bio-sourced materials whenever possible.

If we look at the resource circularity opportunity, we use more than a million metric tons of natural resources each year, and generate around 160,000 metric tons of manufacturing waste, of which 94% is recovered to be recycled or re-used.

In addition, we also recycle some obsolete products and parts, and collect a number of products and equipment through our Field Services activities. To further improve resource productivity, we have launched several initiatives such as eco-design, waste minimization at industrialization stage, waste re-use in our own plants, waste resale, parts reuse, products refurbishing, recycling including mapping of valuable resources' end of life, and efficient & responsible packaging.

Due diligence and results

Circularity services – example of SF_6 end-of-life take-back services

Schneider Electric has more than 12,000 professionals in its Field Services business, many of those being Field Services Representatives (FSRs) visiting our customers' operations each day and throughout the year. Besides these teams, Schneider Electric has a number of industrial resources dedicated to repairing and servicing its products (and those from other brands, in some locations), the purpose being to prolong products' lifespan and avoid any short-term obsolescence. Such centers enjoy specific reverse logistics capabilities, as much as dedicated industrial processes. They are located in the US, Europe, or Asia.

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 a powerful greenhouse gas (1 kg of SF_6 is equivalent to 23,500 kg of CO_2) and therefore requires special treatment to prevent atmospheric emissions.

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, to completely extract the gas and recycle it.

Schneider Electric has structured and reinforced its commercial offers around the "EOL (End-Of-Life)" program through partnerships with hazardous waste management licensed holders, and other recycling companies.

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

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 by the year 2020 and to phase out the use of SF_6 gas in its new products by 2025.

Every year, more than 3,000 obsolete medium-voltage items of equipment are safely processed by the EOL service, which is now available in 19 countries across the globe. Metals and plastics are recycled, while the SF_6 gas is filtered and reused, giving it a second life. It is estimated that 98% of the mass of the equipment is actually recycled.

The Planet & Society Barometer 2015-2017 objective of avoiding 120,000 metric tons of CO_2 "through maintenance, retrofit and end-of-life services" has been surpassed by a large margin, with a final value of 168,400 tons of CO_2 avoided.

Waste as worth – "Towards Zero Waste to Landfill" sites

Because waste is a major source of pollution but also a potential source of raw materials, waste management is a priority of our circular economy strategy.

At Schneider Electric, waste is considered as a resource. In 2015, a new environmental strategy was put in place, notably focused on a step up in waste management through the "Waste as Worth" program. This program, rolled out throughout the period of the 2015-2017 company program, includes:

- the goal of achieving 100 industrial sites sending "Towards Zero[(1)] Waste to Landfill" by 2017; this indicator is published in the Group's Planet & Society Barometer; We are proud to mention we reached 130 sites by end-2017;

(1) Towards Zero in this case means over 99% of metallic waste and over 97% of non-metallic waste recovered at site level

- the implementation of specific actions to reduce and reuse a maximum of thermoplastic, metal and transport packaging waste;
- the implementation of an initiative to maximize value recovery from metal waste, focusing on sites generating the largest volumes.

In order to deliver our commitments, a waste pyramid has been defined as part of our Waste as Worth program. Priority is put on reducing waste volume, through better product and industrial process design. Waste is then reused in our own industrial processes when possible, or recycled through third parties. Finally, waste is recovered through energy conversion. The Waste as Worth program aims at drastically reducing waste left over from this virtuous circle and sent to landfill.

Schneider Electric reports around 160,000 tons of waste annually, most of it being solid waste. Continuous improvement plans have been deployed to manage this waste, in line with the ISO 14001 certification. Waste data is processed to ensure local traceability and specific attention is given to ensuring that hazardous waste is sent to appropriate treatment facilities.

In 2017, the Group recovered 94% of total waste reported (recovery ratio includes material and energy recovery). This recovery ratio has increased from 81% to 94% since 2009, thanks to site by site waste management and action plans.

The Group also focuses on generating value for waste, with a focus on improving waste segregation. This enables the Group to ensure that waste recycling potential is maximized, both in terms of quantity and quality of recycled material. In 2017, the Group notably recovered over 99% of reported metal waste.

Green IT (Information Technology)

Green IT is a worldwide program to reduce the environmental footprint of Schneider Electric's IT including the CO_2 footprint and other resources (paper, water, precious metals). Expected results include reduction in the electrical consumption of IT devices (data centers, servers, network, end-user devices), reduction in electronic waste by implementing a sustainable corporate disposal strategy globally and avoiding travel where possible. It addresses all phases of the life cycle of IT devices and services and includes the Group's equipment and services suppliers, promoting the reduction of their environmental footprints.

The main objectives of this initiative are:

- to reduce our datacenters' CO_2 footprint through cloudification, reducing the number of data centers, increasing their power usage effectiveness;
- to increase sites' IT energy efficiency by deploying and optimizing energy efficient devices, including network and end-user devices, and optimizing printing;
- to ensure that our assets are disposed of in a secure and sustainable manor through a proper certified and auditable asset recovery policy;
- 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 users.

In 2017, Schneider Electric:

- rationalized European datacenters by migrating from 4 datacenters in France and UK to one datacenter in France. The PUE of this datacenter has been optimized by consolidating 10% of virtual machines into a private cloud environment and removing idle servers;
- deployed new collaboration solutions aiming at reducing paper, email exchanges and further leveraging cloud data storage and implemented a new communication solution, cloud based, for messaging, web audio and video conferences;
- launched a program to rationalize the application landscape. In 2017, 575 applications were decommissioned and 31 archived;
- defined a global asset recovery service policy for PC end users aiming at ensuring that our assets are disposed of in a secure and sustainable manner. This policy is implemented for Europe and has been piloted in 2 countries (China and India) with deployment agreed in China during 2018;
- defined the move to cloud strategy and deployed a standard cloud platform both for infrastructure (IAAS) and application development (PAAS);
- defined a Green IT measurement framework and KPIs based on Green IT Group input and trained a core team of technical experts and project managers to Green IT.

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

- continue datacenter rationalization and usage of cloud;
- deployment of Green IT measurement framework to the whole Schneider Electric IT footprint (including outsourced services);
- worldwide deployment of End-User Asset recovery policy and extension to mobile devices, servers, and suppliers' activities;
- optimize sites' IT energy (network equipment and end-user devices) and paper consumption through badge printing;
- include eco-design methodology in application and service design.

4. Committed to and on behalf of employees

4.1 Overview

People strategy

Our people make Schneider Electric a great company. 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 play a key role in supporting the performance and talent development of Schneider Electric in the changing context of its activity. Its growth is characterized by a sustained internationalization, numerous acquisitions, the increase of headcount dedicated to selling solutions and services, while maintaining a share of blue collars close to 50%. All employees are treated equally based on their skills, notably regarding employment, recruitment, talent identification, training, remuneration, health and safety, thanks to common processes and policies.

Step Up

The profile of the company has changed tremendously in the past 10 years and the same has happened with our external environment. The new "Schneider Electric" we have created over the past 10 years is much bigger, well balanced across geographies and end-markets. It provides a unique portfolio of products, systems, services and software to our customers through different go-to-market channels and consolidating many acquisitions. We have identified that, for this new company, we require a different type of leadership.

We have embarked on an important People transformation during the past few years, which is embedded in our Company Program and we call it 'Step Up'. Step Up is our People strategy, our common roadmap to transform our leadership and culture in the coming years.

Through Step Up, our ambition is to create:

- a new Schneider Electric that consistently achieves high growth by innovating for our customers and beating the competition;
- a more engaging environment for our employees;
- an attractive company for talent through our Employer Value Proposition.

All of this while delivering a best-in-class digital experience to our employees, supported by simple and agile processes.

Schneider Electric brand values

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

- straightforward. We are straightforward. We do what we say and we communicate in simple ways. We behave with integrity;
- challenge. We challenge ourselves and others to rethink what is expected. We are agile and move at the speed of change;
- open. We are open. We value differences. We listen. We learn, connect, collaborate with others;
- passionate. We are passionate about our customers, our people, our business and our technology. We are positive in our approach to finding solutions that improve lives;
- effective. We are effective. We deliver on promises. We are pragmatic and fast, and we compete to win.

Key targets and results

For this section, 4 key performance indicators have been set in the Planet & Society Barometer 2015-2017:

Objectives for year-end 2017	2017	2016	2015	2014
1. 30% reduction in the Medical Incident Rate (MIR)	38% ▲	33%	17%	-
2. One day training for every employee every year	92% ▲	92	85.6%	79%
3. 64% scored in our Employee Engagement Index	65% ▲	64	61%	61%
4. 85% of employees work in countries with Schneider gender pay equity plan	89% ▲	75%	57%	-

The 2014 performance serves as a starting value for the Planet & Society Barometer 2015-2017.
▲ *2017 audited indicators.*
Please refer to pages 131 to 134 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 107-109 for indicator 1, 111 for indicator 2, 109 for indicator 3, and 115 for indicator 4).

Organization

Since 2009, the Human Resources Department has been structured around 3 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. The 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, learning and performance management. Regional teams are leveraged to effectively support the Group's globalized operations;
- HR Services 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 2015, the Group has put in place an HR Excellence initiative with the objective of creating HR teams ready to make the Leadership & Culture vision a reality while supporting the growth of the business. In this sense, the HR function takes a central role in driving the cultural transformation of the Group, it designs a specific development plan for HR professionals and it strives to be an ever effective, scalable and employee-centric function.

4.2 Employee health and safety

Description of risks and opportunities

Schneider Electric developed its 2020 strategy and based its 2017 action plan on the top 5 hazards which contribute to approximately 90% of the serious employee and contractor incidents that have occurred. In addition, for each of the top 5 hazards, golden rules have been developed to prevent reoccurrence. These top 5 hazards are:

- driving;
- electrical;
- falls;
- powered industrial trucks;
- fixed powered machines.

Group policy

Health and Safety at Schneider Electric is all about protecting lives. We care about the lives of our employees, customers and contractors. We will not compromise on safety, but will maintain the highest possible standards of Health and Safety in all of our work activities. This commitment is further defined in our 2020 strategy which reflects the 4 strategic priorities that empower our employees to achieve and sustain a safe work environment:

- leading as role models;
- technical qualifications and safe behaviors;
- operational discipline and execution;
- safe workplace for everyone.

The 2020 strategy is further divided into 5 safety guiding principles that help to determine actions taken as part of a work task and the top 5 hazards identified within the workplace:

- ensuring employees are qualified for the work task before performing work;
- empowering employees to stop work if unsafe;
- reporting opportunities for improvement;
- resolving and sharing solutions to problems;
- encouraging employees to care about their own safety plus the safety of their coworkers and customers.

Due diligence and results

Schneider Electric values the safety of its employees, customers and contractors and has implemented an intensive action plan for improvement based on the 2020 strategy, which includes the following in 2017:

- Development of golden rules targeted for each of the top 5 hazards identified. These golden rules offer a commitment by the company and employees to prevent injuries due to these hazards;
- Revision of the annual safety & environmental assessment tool to a new comprehensive environmental, health & safety (EHS) assessment tool focused on the elements of the 2020 strategy. The EHS assessment tool aligns with our Schneider Production System (SPS) and evaluates sites based on the 5 safety guiding principles and top 5 hazards;
- Global field services' events analyzed for 3 primary causes that contributed to the majority of employee and subcontractor serious and potentially serious events, including: incomplete risk assessments at point of work, incomplete lockout/tagout checklist, not practicing stop work authority;
- Global field service focus areas established: field services representatives' electrical qualifications and competency mentoring program; operational discipline; global disciplinary policy; leading as role models; customer worksite visits by top management;
- The evaluation of serious events (those workplace events that causes serious injuries to employees) through the Serious Incident Investigation Process (SIIP). The process includes a deep analysis of serious events and the communication of practices and corrective actions to prevent future events;
- Global safety alerts are issued when serious events require further communication of corrective actions to the global occupational health & safety community. Fourteen global safety alerts with learnings and action plans were issued in 2017;
- Establishment of a global proactive leading indicator, "safety opportunities", a combination of near miss and safety observation reporting;
- Deployment of 4 safety standardization initiatives including biometric entry, arc flash risk assessment, non-routine point of work risk assessment and hazardous equipment MMRs (minimum mandatory requirements) inspection;
- Release of digital safety mobile application to facilitate quick and easy reporting of employee incidents, especially useful in the field;
- Continued evolution of the global Integrated Management System (IMS – Includes ISO 9001, ISO 14001 and OHSAS 18001). The global IMS has successfully transitioned to the 2015 versions of ISO 9001 and ISO 14001. It began the certification process in 2014 and renewed their certification in 2017.
- Establishment and deployment of 2017 communication plan including: quarterly safety campaigns – ergonomics, 2020 safety strategy, electrical safety & road safety – 23 Edison experts (internal specialists) engaged in global and regional continuous improvement projects, and 6th Annual Global Safety Day "#arrivealive" with 4,000+ internal social media posts and 2,500+ personal employee pledges to arrive alive.

Schneider Electric uses 3 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 incidents 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. 2017 is the final year of a current target to reduce the MIR over a 3-year period (2015-2017) by 30% compared to the 2014 MIR result.

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 incidents that incur lost-time work days per million hours worked. These lost-time cases are indicators of a more serious type of medical incident. The severity of these cases is indicated by the LTDR which measures the number of days lost due to lost-time medical incidents 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.

Going forward, annual reduction goals are -5% for the MIR, -5% for the LTIR and -10% for the LTDR. The 2017 results are as follows:

- MIR 2014 = 1.85; MIR 2015 = 1.53; MIR 2016 = 1.24; MIR 2017 = 1.15; annual reduction (2017 *vs.* 2016) is 7%; Planet & Society Barometer reduction (2017 *vs.* 2014) is 38%;
- LTIR 2016 = 0.75; LTIR 2017 = 0.62; annual reduction is 17%;
- LTDR 2016 = 17.88; LTDR 2017 = 20.67; annual increase is 16%.

As a result of our continuous improvement efforts, we've experienced 30 fewer workplace injuries (requiring medical treatment) in 2017 *versus* the results in 2016. In addition, we've experienced approximately a 50% reduction in MIR since 2013 resulting in approximately 300 fewer workplace injuries. While incident frequency and serious incident occurrence trends down, and our safety culture continues to strengthen (with the addition of our 2020 safety strategy), we cannot be completely satisfied until we reach our ultimate goal of zero fatal and zero serious injuries worldwide.

Well-Being in our DNA

For Schneider Electric, well-being isn't just another employee project; it's a strategic priority. It contributes to our core sustainability mission by driving well-being for our employees so they can have a positive impact on their families, community, society, and the planet. Our ambition is to help individuals and teams unleash their potential and make the most of their energy.

Our global Well-being program takes a holistic view of well-being including the 4 dimensions: Physical, Mental, Emotional and Social. The program has been co-designed in a fully participative approach, through a global crowdsourcing campaign involving all people across the globe. The crowdsourcing started in 2015 and ended in 2016 with more than 6,000 ideas generated from our employees to improve well-being in the company.

We leverage a network of passionate Well-Being Champions across the Globe and more than 200 volunteers involved in project teams to carry out the holistic approach of the well-being program based on 5 pillars: Health & wellness (healthy behaviors and lifestyles), Flexibility at work (working in flexible ways for better work-life integration), Workplace (smart, engaging and energizing workplaces), Leaders (Great and caring leaders who inspire people to adopt healthy behaviors), and finally Organizational culture (building a culture of Well-being).

During 2017, we continued to deploy various well-being training programs for our employees, with face to face and virtual sessions. More than 30,000 employees have been trained since the beginning of the Well-being program. We diversified our training offer with a program of global webinars focusing on specific topics such as well-being awareness, mindfulness discovery and practice sessions, recognizing stress and burn-out, nutrition, the power of sleep to drive sustainable performance, purpose at work, energizing and engaging people in manufacturing sites, how appreciation creates value, well-being in a digital world, etc.

Schneider Electric continued to raise awareness about the importance of well-being through various global and local events and activities (learning, healthy food, yoga, meditation, etc.) promoting the program. Well-Being Labs initiative continued in 2017 to encourage teams of people to share, experiment and implement actions to take care of their well-being. Since the beginning of the program, more than 1,000 well-being labs were registered in 52 countries.

Schneider Electric also launched its Global Flexibility at Work principles in 2017 to support a better work-life integration for the employees. A Global Mindfulness at Work program has been launched in 2017 as well, providing training and practice sessions to raise awareness about mindfulness benefits in the workplace.

4.3 Talent and employee engagement

Description of risks and opportunities

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 Learning and development and the latest job opportunities, and through readily available resources. See Risk factors p. 47-55.

Group policy

Schneider Electric places a strong focus on the effective management of talent at all levels. There are two aspects to talent management for Schneider Electric. One is for all employees and ensuring that all employees have a development discussion and development plan in place to guide development and learning in their current role as well as for future potential roles.

Talent management and performance management processes were brought together *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 also improves the matching of resources to demand regarding learning in the different parts of the organization. In 2017, an employee development portal was also introduced to provide additional tools and resources to employees to explore their career, including a playbook for conducting development discussions. For both performance management and employee development, tools and processes are in place to ensure clear goals are set and tracked in the TalentLink system on an annual basis.

The other aspect of talent management is related to the identification of high potential talent across the organization. To this end, an annual talent review process operates across the organization to help ensure that high potential 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). Towards the end of the talent review process across the entities, there is an aggregated review with the Executive Committee to discuss the overall health of the leadership pipeline and succession strength for top positions.

Due diligence and results

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 at the end of 2017:

- 100% of employees surveyed twice a year *i.e.*:
  - 179,000 emails sent,
  - 78,000 people reached *via* "kiosks" on 271 production sites,
  - 3,300 managers receiving a dedicated report;
- a constantly improving participation rate from 62% in 2011 to 80% in 2017.

Employees are asked to fill out a short questionnaire evaluating their engagement and measuring the drivers of engagement 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. A customer focus question was introduced in 2015 to measure if "at Schneider Electric we continuously seek ways to better serve our customers".

Managers are also involved in this process: over 3,300 managers receive a customized report. Following communication of the results, they have to organize feedback sessions with their team 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 2017, the Employee Engagement Index at Group level is 65% (+1 pt *vs.* 2016), above the industry average (60% – 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 2017, the result was 79% (compared to 68% at end of 2012, 78% in 2016).

Employer Branding

Our employer value proposition

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.

We believe that great people make Schneider Electric a great company. Under our Meaningful Purpose to ensure "Life Is On" everywhere, for everyone and at every moment, we are committed to Innovation, Sustainability, Diversity & Inclusion and High Performance.

Our Employer Value Proposition continues to evolve in step with the business. 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 have it resonate as authentic with employees as a form of encouragement, motivation and inspiration.

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 and automation – exposing students from all over the world to our employer brand. It is now established as a global initiative to attract female and male graduates for internship and/or ongoing talent fulfilment objectives. Over the years, the competition expanded its scope to become a truly global competition by opening its gates to students in all countries around the world.

Students are asked to present a case study on efficient energy solutions in cities. Working in pairs with at least 1 female participant, students are required to propose creative (but viable) solutions for critical energy management and automation sectors in cities, such as: homes, buildings, industries, grid, universities, retail, water and hospitals.

The Go Green in the City competition received a total of around 19,772 participants in 2017 and expanded its scope from 8 countries in 2011 to 180 countries in 2017. In these last 7 years, Schneider Electric has seen strong and increasing interest from students for this contest, especially from the new economies. 50% of the participants were female in 2017, confirming Schneider Electric's commitment to Diversity and Inclusion.

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 developed with universities offering specialization that aligns with our business needs – most commonly in engineering, energy management or technology. A selection of initiatives is set out below:

- sharing of our business acumen – for example competitions and guest lectures;
- 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, social media and recognition

Social media plays a central role in our employer branding – enabling us to engage extensively with talent to showcase Schneider Electric as an employer and the diversity of our business. We also greatly value the opportunity social media gives us to have dialog and receive feedback. Supporting this, key achievements in 2017 include:

- LinkedIn, the professional networking site, recognized Schneider Electric as one of the Top Companies in the world at attracting talent;
- Glassdoor, the employer ratings site, recognized Schneider Electric as "one of the best employers in France" – through the ratings of our own people.

4.4 Learning and Leadership development

Description of risks and opportunities

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 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.

Group policy

There is a strong focus on Learning in our 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 1 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 2016, the Group redefined its training strategy around 3 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 learning pathway for the positions deemed critical, insisting on experience and exposure recommendations on top of formal training. We also focused on the "onboarding" process based on the principle of a "driver's license", which consists in a series of training and interviews to be performed by newcomers in the first 3 months after arriving in the Company;
- 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.

Due diligence and results

Digital learning

The Bersin by Deloitte infographics on the Modern Learner (2015) shows that the half-life of a skill today is between 3½ and 5 years. 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, at the speed of change. The innovations conducted in the past 3 years in digital learning are solid steps in that direction.

First, the Group progressed on its journey to transition towards a more digital learning catalog. Since 2014, we have increased the number of digital training hours available by 13 points up to 38% of the catalog available, mainly through business-driven action plans like: deploy a large catalogue of eLearning in 13 languages available without any approval to all Schneider Electric employees; make available Ted Talks videos directly in-line with our transformation and business priorities; integrate specialized learning providers for software and IT to cope with constant changes in that field, as well as dedicated digital libraries for Procurement and Finance functions.

This resulted in a 2-point increase in the digital hours consumed, from 31% in 2016 to 33% in 2017 (16% in 2014), while maintaining a high level of satisfaction from employees (4.2/5 rating on the digital learning offer – Source: My LearningLink)

Second, Schneider Electric has successfully enlarged its learning ecosystem. The Group has connected its learning management system with content platforms to get closer to its ambition of delivering a one-stop shop for all employees (See Global Tools and Enablers section).

Learning Culture

For the fourth consecutive year, the Group organized a Learning Week, which was held worldwide from May 15-19, with 3 main objectives:

- reinforce learning as a key part of our culture;
- develop knowledge, skills and competencies to better serve our customers;
- enable all employees to exchange, collaborate and choose their own learning experience.

Many activities were organized including 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 Yammer (our social network), etc. Over 50,000 employees actively participated. Consolidated results from the Learning Week confirm our success:

- 75% of respondents satisfied;
- 78% are likely to recommend the Learning Week to a friend or colleague;
- 95% of respondents think that Learning Weeks should continue to be organized in the future;

For the first time in 2017, we also organized 3 global Learning Days with learning offered on specific business topics:

- 1. Schneider Electric, our products & services (March 29);
- 2. Customer Centricity (July 6);
- 3. Digitization & IoT (November 9).

Internal Trainers: We actively promoted a learning and teaching culture by developing our internal trainer capability and setting up an internal trainer community. We currently have ~5,000 internal trainers identified globally who delivered over 24,000 sessions in 2017.

Great Professionals

Onboarding

From a new comer's perspective, we focus on a systematic and consistent onboarding experience in the first 90 days. The program is articulated around a signature experience including 7 hours of digital learning, complemented by local *ad hoc* sessions as well as exposure with executives for our Vice-Presidents and above. In 2017, we went from 65% completion of the digital learning curricula up to 78% (49% in 2015).

Learning paths for key roles

To promote a culture of learning based on the 3E model (10% education, 90% informal exposure and experience), we have created learning paths for a large majority of the existing roles. 90% of the job codes are covered with recommendations of training and exposure/experience actions to take by competency in the job code. Those learning paths are widely used during the Employee Development process period from April to June. It enables each employee, during the conversations with their managers, to get profiled recommendations based on their current role and explore development opportunities for a future one. In 2017, there were 33,000 employees using the employee development portal where the learning paths are available. We are in the process of updating and improving the usability of the portal for the 2018 campaign.

Academies to support business priorities

The academies' curricula are built using the outcome of workforce planning. 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 7 domains of Safety and Environment, Customer Satisfaction & Quality, Purchasing, Manufacturing, Supply Chain Planning, Logistics and Industrialization. In 2016, 477 new learning offers were launched on strategic topics, 96% of them being digital (mostly e-learning and videos);
- Research & development: The Offer Creation Academy addresses the 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 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;
- Solutions selling: The Solutions University offers a comprehensive portfolio with a flexible approach including 16 blended certification curricula and 20 programs for leaders and managers, tailored to the organization's needs and performance environments. The Solutions University's aim is to support the solutions and services business growth, encourage greater business collaboration and more agility. At the end of 2017, around 12,500 enrolled candidates from 95 countries had taken the Solutions University learning paths, delivering 7,100 certificates.
- Functional academies: in 2017, we also re-launched academies in key functions – Finance, focusing especially on the control function and on digitizing the catalogue for faster deployment of offers; Human Resources, with learning expeditions involving the top 200 HR professionals, as well as a series of webinars; Information Systems, with a focus on software skills, as well as support with the deployment of office 365 across the company to improve productivity and collaboration; and finally the Marketing academy focused on the development of core skills for the 4,000 marketers but also programs for all employees such as the Digital passport to augment the digital IQ of all our people.

Leadership development

The ongoing development of leaders within Schneider Electric is a critical element of our future success as well as the ongoing Step Up transformation.

With the establishment of the global Leadership Academy in 2016 to drive the governance and strategic implementation of leadership and talent development, our leadership capability building stepped up to a new level of impact. In 2017 the focus of the Academy was on 3 critical areas of focus.

First, on accelerating the development of our high potential leaders by designing and delivering a new, cohesive set of leadership programs called 'Transforming Schneider Leadership'. These programs had a key theme of 'Purposeful leadership for a Digital World'. In 2017 more than 600 leaders – identified *via* the annual Talent Management process – at multiple leadership levels attended these programs to fast track their capability in addressing personal leadership, team, organizational and strategic leadership. These topics were approached through the lens of digital disruption, driving innovation and leading new business models. Leaders demonstrated a return on their learning investment through an individual 'action lab' which addressed a specific and actionable work project. The programs also introduced for the first time a significant digital learning component allowing for a more efficient and more scalable learning impact.

Second, the Leadership Academy addressed core feedback and coaching for performance skills *via* the 'Leader Skills Series' to build the foundational skills of driving better performance conversations for all people leaders. In 2017 6,000 leaders across the company experienced these sessions which were delivered either virtually or with 'bite size' classroom sessions ad supported by a change campaign. The series has raised visibility and understanding of the importance of high quality feedback and effective coaching in achieving better team engagement and results.

Third, the Academy began to provide high quality digital learning for senior leaders to support personalized learning by developing and piloting a new digital platform called 'License to Lead'. The objectives of the pilot involving 120 leaders were to experiment with helping leaders learn 'on the go' with a mobile device ready app and to use it to deliver leadership digital learning and Schneider Electric specific business knowledge in short, high quality micro-learnings. Take-up was very high with an 86% 'engagement score', thousands of modules completed and more than 600 learning 'bites' created by users themselves and shared socially with each other *via* the app. This initiative will be deployed to the top 1,000 leaders in 2018 as a direct outcome of the strong results and feedback from pilot learners.

Global tools and enablers

To support the rapid changes in the company, Schneider Electric has implemented an open learning ecosystem comprised of Learning Experience, Learning Management System and innovative content. All those platforms are interconnected to provide a relevant, intuitive and effective one-stop shop experience powered by digital.

My LearningLink

At the center of this ecosystem is My LearningLink, Schneider Electric's global learning platform which integrates e-learning, webinars, social learning, classroom learning, assessments and full certification paths. It was progressively deployed in all countries in 2013 and took off in 2014. Academies and country-level courses are registered in My LearningLink for 2017:

- 200,000 sessions opened per month;
- more than 20,000 modules of learning content are available in up to 13 languages;
- 140,000 employees have access to the system;
- 92% of employees followed at least one day's training (instructor-led training and digital learning) in 2017.

No managerial approval is required for employees to register for online courses; employees are actively encouraged to take the responsibility for developing their skills and 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 LearningLink 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. In 2017, it has reached 650,000 customers in 108 countries.

Schneider IQ

Based on a French start-up called Coorp Academy, leader in corporate Massive On-line Open courses, Schneider IQ provides courses on key trends of the industry as well as transverse strategic topics. All the courses are searchable and tracked in My LearningLink. This platform has a unique approached of flipped learning, pushing questions first, and guiding learners through it so that they can progress very quickly if they know the subject matter, and be guided by videos or coaches if they need help. More than 40,000 unique users took courses on Schneider IQ in 2017, with top courses being our compliance & ethics course as well as courses on the digital economy and design thinking.

EdCast: the Netflix of Learning

In 2017, we piloted a new way of learning with a platform called EdCast. Based on aggregated search and curation, it enables the academies and the learners themselves to easily connect several sources of content, bundle them in Pathways, and curate them for a specific group. All this on an open and mobile-first app and desktop modality. We strongly believe that the success of learning is in its capacity to provide the right knowledge at the right time, and EdCast really pushes this approach to a new level.

Amongst other pilots, we deployed EdCast for a leadership program geared to teach top leaders the basics of Schneider Electric business and leadership acumen. From September to December, they had access to content carefully designed and curated with notifications and push mail to alert them on the upcoming topics as well as the leaders board to gamify the approach. The feedback was very positive with a 4.3/5 rating by participant and 60% saying it makes them more effective in their daily job. We are extending the use of EdCast to all top leaders in 2018 as well as other key user groups like blue collars and sales.

Klaxoon: gamified, mobile-first, agile

One of the most important outcomes to make learning stick is to fight the forgetting curb. To do so, you need to activate the learning during the learning experience itself but also after. With Klaxoon, a French start-up twice awarded best innovative start-up in the world by the CES (2016 and 2017), we deliver on this promise. Using on-the-fly activities to activate the content during training sessions (brainstorm during a workshop, live questions during a training) but also and above all, before and after learning. Creating mobile responsive gamified quizzes with the possibility to challenge others and re-take the quiz. Those activities can also be integrated in My LearningLink to be embedded in existing curricula.

Yammer

In 2017 Schneider Electric deployed Microsoft Yammer as its social media platform; it also creates a learning environment in which many internal communities can exchange, share knowledge, experiences and documents.

This ecosystem is interconnected *via* APIs (Application Programming Interfaces) enabling both reliable reporting and a better experience for the employees.

4.5 Diversity and inclusion

Description of risks and opportunities

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 54.8% 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 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.

Group policy

- The 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 differences and build a culture of inclusion;
- diversity and inclusion drives high performance; and
- leverage our global footprint to attract and develop great talent around the world.

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, generations, and nationalities, while meeting local regulations and addressing country-specific situations.

Governance

Schneider Electric has a Diversity and Inclusion board. The board is a global group of top leaders from all markets and sponsored by the Executive Committee. The board acts as a sounding board for the global diversity and inclusion strategy and direction. In addition, they are internal and external diversity and inclusion champions as well as advisors/sponsors for the steering committees on gender, generations, nationality/identity and inclusion.

The board is sponsored by 2 Executive Committee members and board members are nominated by the Executive Committee to serve a 2 to 3-year term.

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

Processes

Several global processes have been developed to support Schneider Electric's Diversity & Inclusion strategy, *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, 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 1 woman.
- global pay equity framework to identify gender pay gaps within comparable groups of employees and implement country-driven corrective actions to address any gaps.

Multi-hub Business Model

Schneider Electric wants everyone everywhere in the company to have the same chance of success irrespective of their nationality or location.

To deliver on this ambition, the Group created a multi-hub model and systematically relocated global jobs to these hubs across the world to have a truly global leadership. Instead of having a single global headquarters, Schneider Electric has hubs around the world. Not only has this model helped to attract and develop local talent, it has been instrumental in the expansion of the business with localized decision-making.

Due diligence and results

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. Schneider Electric has supported and implemented multiple policies and actions that advance and empower women in the workplace.

HeForShe

In June 2015, UN Women selected Schneider Electric for inclusion in the pilot group HeForShe IMPACT 10x10x10. This selection followed awarding of the Leadership 2015 prize 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.

Initiated by UN Women, HeForShe is a solidarity movement to promote gender equality. The purpose of HeForShe is to encourage men to support change in favor of women's rights and diversity. This campaign was launched internally, and by the end of 2017, almost 39,000 employees of Schneider Electric had joined the movement.

As a member of the HeForShe IMPACT 10x10x10, Schneider Electric's commitments were:

- increase the representation of women across the pipeline – 40% at entry of new managers and technicians (*vs.* 29% in 2015), and 30% increase in representation in key positions;
- implement a salary equity process worldwide, covering 85% of the Group's workforce by 2017;
- involve Group leaders worldwide and create a governance body dedicated to this program.

Gender pay equity

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.

At the end of 2017 this analysis covered over 85% of the global workforce helping countries to put in place appropriate corrective actions to close gaps. We will continue to extend this analysis globally.

Programs supporting women's professional development

A specific program, "Women in leadership" (3,5 days' coaching and 3 online coaching sessions) has been deployed in 3 regions (Asia, Europe and North America). At the end of 2017, more than 600 women had benefited from this program.

More than 15 Schneider Electric local women's networks have been created in different parts of the world.

Supporting all diversities

Schneider Electric continues to support all diversities recognizing that diversity of people and an inclusive work environment help drive greater engagement, performance and innovation. In terms of nationality, there is a focus on having a diverse representation of nationalities, including from new economies, in our leadership pool. In terms of generations, there are several initiatives focused on engaging and developing early career talents.

Inclusion

Finally, Schneider Electric is increasingly more focused on inclusion and creating an inclusive culture where the contributions of all diversities are leveraged and inclusive practices and policies are in place. Embracing and increasing the diversity of our workforce is critical to innovation and high performance. At Schneider Electric, it is recognized that diversity without inclusion simply does not work. To leverage the Group's diversity and truly benefit from it, policies and practices have been developed and applied with an inclusive mindset so that everyone can feel that they are uniquely valued and belong.

Global Family Leave Policy

In September 2017, Schneider Electric announced its new Global Family Leave Policy.

The policy places Schneider Electric as a leader in our industry, by providing fully paid parental (primary and secondary), care (for sick/elderly) and bereavement leave in all countries. The Group's countries are required to implement the global minimum standards while having flexibility to define eligibility and policy details per statutory and market requirements.

By supporting our employees with personal time at the moments when it matters the most, Schneider Electric empowers its employees to manage their 'unique life and work' so that they can be at their best.

Inclusive Teams and Hidden Bias Education

In 2017, a comprehensive education approach on building inclusive teams and hidden bias was implemented, starting with senior management teams attending a half day Inclusion and Hidden Bias session. In 2018, the program will be extended to managers and employees through workshops (face to face and virtually) and e-learnings.

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 4 priorities:

- recruitment: through raising the awareness of managerial teams about 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).

Schneider Electric has been a signatory to the Parenthood Charter since March 2008, and signed a 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.

Over recent years, new actions have been taken: the launch of Happy Men (men's network), launch of an OPEN network (internal women's network), college gender-oriented internships, conferences about parenthood for employees. Schneider Electric has also signed a partnership with the association *Elles Bougent* for the promotion of technical trades to young girls, participated in a 100% female recruitment forum in Paris, hosted at the head office of Rueil-Malmaison 120 young girls from middle school, high school and college in the context of Girls on the Move to discover our technical professions, and received 140 other girls with Medef. Schneider Electric has also continued its partnership with the C Génial Foundation for the promotion of technical trades among 1,200 students in middle and high schools with our network of 50 technical training ambassadors.

In 2017, 2 women from Schneider Electric were named among the 50 women who are building the future of the CAC 40 companies: Christel Heydemann, Country President France, Schneider Electric, and Cécile Venet, Plastronic Innovation Project Manager.

Sexual orientation and gender identity

As part of its commitment to LGBT topic (Lesbian, Gay, Bisexual and Transgender), Schneider Electric organized a conference in 2017 to explain to employees the importance of addressing this issue in the company. A LGBT France network has been launched, whose sponsor is the Director of Human Resources France. Lastly, Schneider Electric has joined forces for the May 17 day against homophobia.

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 January 2015. Within the scope of this Agreement, Schneider Electric committed to a voluntary approach to improve the dynamics of maintaining employment and helping disabled workers. We have reinforced the recruitment and integration of disabled workers.

In 2017, 16 people with disabilities were recruited on work-study contracts and 10 on permanent contracts. In all, employees with disabilities accounted for 6.37% of employment at Schneider Electric in France in 2017, 2.93% of these in indirect employment (subcontracting to the protected and adapted sector) and 3.44% 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 represented EUR31 million in 2017, including: EUR14 million in France, EUR11.5 million in Spain, and EUR5.5 million in other European countries. In France, our proactive strategy of developing the service subcontracting axis was launched in 2014. The actions are very satisfactory in terms of volume and quality. This subcontracting accounts for 20% of total service purchasing.

Generational and origins diversity

Schneider Electric wants to capitalize on the younger generations by giving a chance to all, especially low-skilled young people 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 young and seniors' employment and in support of the transfer of knowledge and skills; in 2017, 70 skills transfers were carried out using a structured and proven methodology involving managers, HR Business Partners, the expert and the receiver; training is in place to train the facilitators of these skills transfers;
- 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 (70 contracts at the end of 2017);

The renegotiations are planned for 2018.

4.6 Compensation and benefits

Description of risks and opportunities

Schneider Electric is committed to providing a competitive, comprehensive and inclusive compensation and benefits offering that is cost effective in each market in which the Group operates and which attracts, motivates and retains talents

Group policy

At Schneider Electric, people are our most valuable asset. Schneider Electric ensures that all compensation and benefits decisions and policies are based on the principles of fairness, equity and non-discrimination. All compensation and benefits policies follow local statutory and collective agreements. We equip our leaders to make informed reward decisions throughout an employee's career by providing guidance, education and tools to make fair decisions

Schneider Electric rewards employees' contribution 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.

Benefits are an essential component of the Group's reward offering and reflect the diverse needs of its employees.

Due diligence and results

Compensation

Schneider Electric has implemented a global job architecture to support HR process and programs and to enable Schneider Electric to engage, develop and move talents across different businesses and geographies.

In line with the Group's pay-for-performance philosophy, the compensation structure typically includes 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

As employee benefit plans vary significantly between countries due to different levels of social, tax and legal regulations, Schneider Electric's benefits portfolio is primarily country-driven.

Centrally Schneider Electric regularly reviews compliance with its Global Benefit policy and principles, and monitors asset return and validates long-term investment strategies both at a corporate and country level.

Employee Health and Welfare

One of Schneider Electric's underlying benefit objectives is to protect the basic health and welfare of all its employees and to provide adequate security to employees and their dependents. Schneider Electric ensures that it provides employees with access to medical coverage. In addition, the Group commits to provide financial security to employee dependents, in the event of an employee's death, in the form of a minimum standard of life assurance coverage of at least a multiple equivalent to 1 year's salary.

Sustainable development criteria in performance incentives

Since 2011, sustainable development components have been added to incentive goals of the Executive Committee. They are directly linked to the Planet & Society Barometer targets.

Planet & Society Barometer targets also apply to all the Leaders of Schneider Electric including the main zone and Country Presidents and to the heads of central functions (*e.g.*: Finance, HR and Business Development).

Since December 2011, a portion of the award under the annual long-term incentive plan that is granted at the time of vesting is subject to the achievement of the annual Planet & Society Barometer target. 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 considered in the profit-sharing incentive plans of 17 other French entities.

Employee shareholding

Schneider Electric believes that employee share ownership is instrumental in strengthening the company's 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 of about 60 countries have already benefited from a share ownership plan over the years.

The employee shareholding as of December 31, 2017 represented 4.1% of Schneider Electric SE's capital and 7.4% of the voting rights.

72% of the Group employee shareholders were located outside of France, of which 13% in China, 10% in USA, and 10% in India.

Employee share ownership plan 2017

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.

The 2017 employee share ownership program offered in 32 countries was an unprecedented success with significantly higher international subscription rate than before. More than 46,000 employees subscribed amounting to a total of EUR143 million.

In view of the dynamism of the employee share ownership program, the Group expects to launch a new global Plan which will cover circa 115,000 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 welfare 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.

Investment in this fund has reached EUR16.8 million, thereby enabling 5,300 employees to take part in social welfare projects in France and abroad which have been developed as part of the Access to Energy program.

4.7 Social dialog and relations

Description of risks and opportunities

Social dialog and freedom of association must be seen within the wider context of Ethics & Responsibility.

As a global company, Schneider Electric is convinced 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 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 142,000 employees worldwide. Following the Group's various acquisitions, it has been able to integrate this exceptional professional and cultural diversity.

Group policy

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.

In its Human Rights policy, Schneider Electric confirms that it considers freedom of association as the basis of a regular dialog between a company and its employees. To that purpose, Schneider Electric respects the individual right of its employees to freely join, participate in or quit labor organizations to assert and defend their interests. Subsequently, Schneider Electric guarantees that any employee wishing to do so shall be protected against any internal measure limiting his or her freedom of association such as discrimination of any kind, pay loss or dismissal. Schneider Electric also recognizes the importance of dialog with freely appointed employee representatives, employee representative bodies (such as Works Councils or employee forums) or organizations (like trade unions), and supports collective bargaining.

Due diligence and results

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 dialog is also taken into consideration by our social reporting system, where local HR teams report on the presence of trade unions, works councils and Health and Safety Committees every year.

In 2014, 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 promoting social dialog at international level.

European Works Council (EWC)

The changes that were made in 2014 to the European Works Council in the framework of Schneider Electric SA's transformation into a European Company 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 44,000 employees.

Moreover, in respect of the spirit of European participation, signed in 2014, and agreed by a large majority of negotiators, a new European Works Council has been set out with extended powers and resources, and the participation of European employee representatives at board of directors' level has been introduced. It replaced the previous European Works Council.

In 2017, the European Works Council met 7 times, including 6 Core Council Meetings and 1 plenary session. This allowed 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 Executive Committee members including Schneider Electric's CEO.

In 2017, Schneider Electric and IndustriAll Europe signed an innovative Europe-wide agreement, the European agreement on the anticipation and development of competencies and employment with respect to the Schneider Electric business strategy (May 18). This agreement is a great opportunity to create a governance for jobs and skills at the Company by anticipating impact and evolutions in business in line with current market trends and the Company's ambition; It sets clear objectives for boosting employees' employability, and for enriching the workforce by diversity and digital generation recruitment; and reinforces constructive social dialog at European and local level within the Company.

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.

A negotiation was launched in 2017 with the trade unions. The objective was to find some ways to improve the competitiveness and employment in France (flexibility, increase the work time etc.). More than 20 meetings have taken place.

In 2017, the Group Works Council for France enhanced its transversal information and understanding of business stakes and strategy of Schneider Electric, through a 2-day meeting. Topics addressed included: presentation of Schneider Electric in France, strategy of Schneider Electric, missions and rights of the trade unions, working time and salary.

In order to better understand the Schneider Electric business and its perspectives, the Group Works Council also visited Schneider Automation in Poitiers and Schneider Electric Energy France in Macon, France.

Social dialog in the United States

In the United States and more generally 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/challenges, on a local, regional and global basis. In 2017, a 2-day meeting was held with union representatives from factory locations and international union leaders to forge alliances on employee safety and mutually work on safety improvement opportunities.

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 4 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 2017, 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 in 2017 for compliance with the EICC Code (Electronic Industrial Citizen Coalition), 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 over 30 entities and over 100 sites in China. The majority of them have set up unions. Unions give input in the review of local policy relating to employee remuneration. Unions also take a key role in leading employee events and activities. Meanwhile, unions are also involved in employee relations in the event of company redundancy programs. The Group has discussed the terms of a collective contract with unions for several plants. Six 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 2017, Schneider Electric India maintained cordial industrial relations throughout its plants.

Industrial harmony has been achieved through a time-tested collective bargaining process involving unions or through Workers Representative Committees. In some of the plants 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 and a Prevention of Sexual harassment Committee (fully compliant with the prevention of sexual Harassment governance as per local laws), duly represented by external women with specialist knowledge of the subject and with legal backgrounds. 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 Quarterly Town Hall communication on Company performance, strategy and challenges.

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 goals

In today's world, 1.1 billion[1] people do not have access to electricity; 588 million of these live in Sub-Saharan Africa, 239 million in India and 200 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 3 specific areas:

- **investment:** manage investment funds for business development in the electricity sector;
- **offer:** design and deliver electrical distribution solutions for underprivileged people;
- **training and entrepreneurship:** help provide training for young adults looking to enter the electricity sector and support social and informal entrepreneurs in the energy 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 Program Strategy and Performance manager;
- 2 Access to Energy Solutions Business Development Directors, 1 for the Asia Pacific zone and one for the Africa, Middle East and South America zone;
- an Emergency, Post-Conflict and Refugee Account Manager;
- an Offering Creation Director;
- a Social Investment Director, who manages the Schneider Electric Energy Access social welfare fund;
- a Training & Entrepreneurship Director;
- Access to Energy correspondents in key countries (India, Senegal, Nigeria, Kenya, South Africa, Brazil, etc.).

(1) Source: OECD/IEA – Energy Access Outlook: From Poverty to Prosperity – 2017.

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, Africa, Middle East, South and Central America.

Key targets and results

For this section, 3 key performance indicators have been set in the Planet & Society Barometer for 2015-2017:

Objectives for year-end 2017	2017	2016	2015	2014
1. x5 turnover of Access to Energy program to promote development*	x2.21 ▲	x2.08	x2.07	-
2. 150,000 underprivileged people trained in energy management	148,145 ▲	123,839	102,884	73,339
3. 1,300 missions within Schneider Electric Teachers NGO*	1,347 ▲	1,065	878	460

The 2014 performance serves as a starting value for the Planet & Society Barometer between 2015 and 2017.
▲ *2017 audited indicators.*
* *A methodological change was made in Q4 2016, see note on page 134.*
Please refer to pages 131-134 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 122-124 for indicator 1, 124-125 for indicator 2, and 127-128 for indicator 3).

Social investment

In July 2009, Schneider Electric created a social welfare investment structure in the form of a variable-capital SAS (simplified joint-stock company), Schneider Electric Energy Access (SEEA), with a minimum of EUR3 million in capital.

On December 31, 2017, the following amounts were managed by SEEA:

- EUR3,000,000 in capital invested by Schneider Electric;
- EUR2,300,000 invested by Schneider Énergie Sicav Solidaire (including EUR500,000 in capital), a mutual fund managing the employee savings scheme for Schneider Electric employees in France;
- 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 2017, 5,300 Group employees in France showed their interest in the Access to Energy program by investing EUR16.8 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.

Examples of companies supported

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.

International investments

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.

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.

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.

Amped Innovation, a company that designs optimized Solar Home Systems to meet the needs of distributors and users. Particular attention is paid to the optimization of costs and the flexibility of the equipment. This company is starting to generate revenue and will proceed to a capital increase in 2018.

Companies that exited the portfolio

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.

ONE Degree Solar, a company that designs and distributes small solar systems, was sold on December 31, 2017.

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, safe 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 products and 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 7 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. In 2015, the portable lamp is moving towards the Mobiya TS170S version, providing more light at a more affordable cost.

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 2016, the Access to Energy program expanded its offerings and launched Homaya SHS, a portable electrification system to improve life in isolated homes, designed based on specifications with 3 vital requirements: robustness, quality and affordability. The system comprises solar panels, a battery and several lights. In addition to the lights, the battery allows for the connection of electrical devices powered by direct current such as a fan or a small television, in the case of the most powerful version.

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 facility in Africa and in Asia has boosted our production and assembly capacity to develop customized decentralized rural electrification solutions closer to our customers and partners. More recently, the semi-standardized Villaya Microgrid offer brings modular, pre-wired and pre-tested bricks that adapt to all types of energy needs.

The collaborative MiCROSOL research project, which began in November 2011, aimed 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, brought together 9 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.

In September 2016, Schneider Electric signed a contract with the West African Economic and Monetary Union (WAEMU) Commission and the African Biofuel and Renewable Energy Company (ABREC), the African renewable energy hub. The Villaya Agri-Business solar micro-power solution, inspired by the MiCROSOL project, has been selected for the supply of 8 solar micro-units in the 8 member states of the WAEMU. The aim is to test the use of a "multi-energy" unit, providing heat and electricity, to operate equipment used in irrigation, fish farming, and the transformation and preservation of agricultural crops. Through this initiative, the 3 partners hope to gradually give 100,000 people access to the energy needed for irrigation, lighting, fish farming, agricultural transformation and the supply of drinking water, without emitting CO_2.

Community energy services: The development of energy services helps bring added value to the users in a community.

The Villaya Water 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 Villaya Water solution ensures greater system reliability, simplified plumbing and reduced maintenance. Between 2012 and 2016, several solutions were installed in India as well as in several African countries as part of collective electrification projects.

Villaya Lighting 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 the Access to Energy Training & Entrepreneurship 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: Our past experiences have shown that large-scale distribution of solar products in rural areas is limited by 3 factors: product availability, cost, and end-user awareness.

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 and then TS170S portable lamp through over a hundred post offices while benefiting from a microcredit to facilitate acquisition and allow a refund adapted to the payment capabilities of end users. 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.

Since 2013, Schneider Electric has partnered with PAMIGA and the microfinance institutions members of their network to deploy a microfinance offer for the acquisition of individual and domestic solar systems such as Mobiya TS170S and Mobiya SHS. The two structures have teamed up with actors in the distribution sector, such as SOREPCO in Cameroon. His knowledge of local habits and communities has led to the development of a network of local resellers as well as a marketing and communication campaign that should increase the distribution of our 2 products. Schneider Electric has trained nearly 150 "Energy Entrepreneurs" who have enabled the distribution of several thousand products in 2017.

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: Collective electrification continues, following the success of the projects launched since 2009. Over the last 4 years, more than 950 off-grid and micro-power systems have been deployed using Schneider Electric technologies, mainly in Cameroon, India, Indonesia, Kenya, Myanmar, Nigeria, Senegal or Togo. The Group 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, Schneider Electric partnered with Golden Key Company (GKC) in Myanmar to electrify 3 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 2 LED lights, a cell phone charger and a radio 24 hours a day. Since 2015, Schneider Electric has been involved in the electrification of more than 250 villages in Indonesia as part of a government program. Microgrids with 15 to 75 kW in power supply each village consisting of 80 to 520 households. In 2015, 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 companies GVE Projects Ltd, Arnergy Solar Ltd and Havenhill Synergy Ltd to electrify new villages in the provinces of Osun, Gombe and Niger. 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 microgrids.

In 2016, Schneider Electric made a commitment to the Rockefeller Foundation, signing an agreement to become its technology and skills transfer partner. Since 2010, the Rockefeller Foundation has fought against fuel poverty by supporting private operators who supply electricity through micro-grids. It allows communities to benefit from lighting solutions and to develop income-generating activities. Today, with a commitment of USD75 million, the Rockefeller Foundation aims to extend this activity to electrify 1,000 villages in India over the next years thanks to the Smart Power for Rural Development (SPRD) initiative.

Training & Entrepreneurship

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 3 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.

Building on the results of its training, the Access to Energy Training & Entrepreneurship program decided to go further by supporting social and informal entrepreneurs in the energy sector. Employment markets in emerging and developing economies are strongly influenced by the importance of the informal sector, sub-activity or multi-activity in order to accumulate sources of income. Training in the specific skills needed by the entrepreneur, start-up support, support and financing are key to creating sustainable activities. In particular, we try to support women's entrepreneurship in the energy sector, integrate them at every step of the energy access value chain and find the right partners to create a favorable ecosystem.

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.

Schneider Electric currently has a wide range of educational models tailored to the needs of emerging countries. This range is constantly being developed into the business lines and solutions of the future.

In India, the training program contributes to 270 centers (including 9 solar energy training centers) across 26 States of the country. Since the inception of this program in 2009, we have trained over 85,000 unemployed youths from financially disadvantaged background and positively impacted their lives by skilling them.

In 2016, Schneider Electric India Foundation and Schneider Electric Foundation signed a MoU (Memorandum of Understanding) with the National Skill Development Corporation, an entity under the Ministry of Skill Development and Entrepreneurship, to set up 100 electrician training centers and a center of excellence for the training of trainers in the field of electricity, renewable energy and automation. As part of our constant endeavor to keep our training program aligned to our vision as well to the requirement of the industry, we introduced a training program on solar energy. We opened 4 such centers in 2016. 17,205 youth and 139 trainers were trained in 2017. To understand the impact of the program on the lives of trainees, we also conducted 10 alumni meets during the year. We trained 30 entrepreneurs during the year and, to build the perennial pipeline of interested entrepreneurs, started the initiative of conducting entrepreneurial meet.

Aligned with the vision and ambition of the program in Indonesia, Vietnam, Cambodia, Philippines and Pakistan we have partnered with vocational training centers to provide access to quality education for the young people.

In Africa, new vocational training programs have been rolled out in Senegal with the association Mains Ouvertes Sénégal, and in Ghana with Village Exchange International. Degree training programs have been implemented in Burkina Faso with the association Woord in Daad and the NGO CREDO, and in Mali with the association BØRNEfonden in the CEPAMs of Dioïla and Bougouni.

In November 2016, Schneider Electric and its Foundation entered into a partnership with the association Energy Generation in order to support young Africans wishing to embark on a career in energy access. The aim of the Energy Generation project is to identify, develop and widely distribute “made in Africa” electrification solutions, as well as find the African entrepreneurs of the future. Schneider Electric will contribute to the development of an incubator in Lomé by equipping the technical laboratories and providing training content. The Group will also support entrepreneurs in the development of their economic solutions and models with the help of volunteers from Schneider Electric Teachers.

Entrepreneurship is currently an aspect of training which Schneider Electric wishes to develop heavily in the years to come. In 2017, 500 entrepreneurs were trained in numerous countries (Egypt, Vietnam, Cameroon, etc.). The target is to support 10,000 entrepreneurs by 2025.

Since starting the program in 2009, close to 150,000 people have been trained in more than 45 countries, giving hope for a 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 350,000 people by 2020 and the goal of supporting 1 million young people by 2025.

The priorities allocated to the program for 2018 are: training of trainers, entrepreneurship, women, training in professions in the solar sector. Ambitious initiatives will be launched on these topics very soon, particularly in Ivory Coast, Kenya or Indonesia.

5.2 The Schneider Electric Foundation

Context and goals

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 Low-tech Lab by the organization Gold of Bengal or as part of COP23, it also demonstrates a positive vision and is committed to helping create a better future.

The Foundation’s goal is to find solutions for sustainable access to energy across the world. 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 35,000 employees, close to 1,900 volunteers, and 130 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 EUR13 million in support from Schneider Electric’s entities; employees are also involved in these partnerships. In total, more than EUR17 million have been invested to help local communities.

Organization

The international network of Foundation delegates

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 80 countries, are responsible for identifying local partnerships in the areas of vocational training in the energy trades, entrepreneurship, tackling fuel poverty, and awareness of sustainable development, 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 the *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 2 years.

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

They also animate a digital platform gathering all the missions proposed by the Foundation locally and internationally: VolunteerIn. Developed in 8 languages, it is accessible anywhere in the world and enables employees to apply for volunteer assignments for the benefit of the Foundation’s partners and their beneficiaries, around the topics of vocational training in the energy trades, support for families in fuel poverty, awareness of sustainable development and social entrepreneurship.

Finally, the delegates coordinate the organization of the Schneider Electric Foundation’s campaigns for international mobilization. They also engage in campaigns organized following natural disasters.

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

A legal connection to the *Fondation de France*

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

The *Fondation de France* is a non-profit organization that, since its creation in 1969, has been the bridge between donors, founders, and field structures in order to support and work alongside projects in a range of general-interest areas. The *Fondation de France* supports more than 9,300 projects annually with the donations it receives. In addition, it supports other foundations (more than 828 in 2016), whose operations are governed separately from the *Fondation de France* but that are legally part of it. It is responsible for ensuring that their actions comply with its by-laws 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 the *Fondation de France* of its decisions, and the *Fondation de France* verifies 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 checking the communication tools of the Schneider Electric Foundation, etc.).

The Executive Committee

The Schneider Electric Foundation's Executive Committee meets once or 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), Marc Bidaut (employee representative, Schneider Electric), Xavier Emmanuelli (external expert), Thierry Gouin (Schneider Electric), Christel Heydemann (Schneider Electric), Jean Kaspar (external expert), Cathy Kopp (external expert), Emmanuel Lagarrigue (Schneider Electric), Sylvie Leyre (Schneider Electric), Jean-Pierre Rosenczeveig (external expert), 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; Brigitte Antoine, Employee Engagement; Johan Goncalves, Employee Engagement Project Manager; Morgane Lasserre, Administrative Assistant. The selection committee is made up of 3 members: the Foundation's General Delegate, the Foundation's Program Director and Director of the Access to Energy Training & Entrepreneurship Program. It meets once per month.

Vocational training in energy trades and entrepreneurship

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 50% of the 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, close to 150,000 underprivileged people have been trained in the energy management sector in more than 45 countries. The goal is to train 350,000 people by 2020 and 1 million by 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 and social entrepreneurship 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.

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.

After a successful partnership in 2015-2016, Ashoka and the Schneider Electric Foundation, under the aegis of the *Fondation de France*, have once again committed themselves to a second call for projects "Social innovation to reduce fuel poverty". While continuing to support selected innovators in 2015-2016, the 2017-2018 program has expanded to the community of social entrepreneurs fighting against fuel poverty in 5 European countries: Germany, Greece, Italy, Portugal, and Spain. The 2017-2018 edition was realized in partnership with Enel. Ashoka will accompany the 15 winners in their strategy of scaling up with 300 hours of mentoring for 3 months starting in January 2018. The winners will also benefit from inspiring meetings within a European network of peers and increased visibility throughout the program. Schneider Electric's international employees will also contribute their expertise and skills to the projects of the social entrepreneurs selected within the framework of the Schneider Electric Teachers association.

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; The Foundation is supporting Gold of Bengal's Low-tech Lab project through the *Nomades des Mers* expedition and the Low-Tech Tour. For 3 years, a catamaran has crossed the oceans to reach out to local populations and co-construct technologies tailored to their energy needs. At each destination, a workshop is organized on a particular theme: desalination in Morocco, aluminum recycling in South Africa, biogas and even wastewater treatment using microalgae;
- 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 COP23

At COP23 held in Bonn from November 6 to 17, 2017, the Foundation forged an important partnership with Art of Change 21 and Creative Klima.

Throughout COP23, Creative Klima offered exhibitions, conferences, workshops, debates, awards, music programming and many festivities just a few hundred meters from the International Conference Center, on the MS Beethoven Township boat on the banks of the Rhine and the French Institute Bonn.

Creative Klima brought together major players, French and international, in the fields of social entrepreneurship, energy, culture and climate: the association Art of Change 21, the international NGO Ashoka, the French Institute Bonn, Atelier 21 and its initiatives Paleo-Energetic and Solar Sound System, conference of the International Weather and Climate Forum, exhibition of the paleo-energetic frieze for a chronological journey in the history of energy innovations, musical programming by the Solar Sound System, workshop and ceremony of the European Award “Social Innovation to Tackle Fuel Poverty” with Ashoka, conference of the Schneider Electric Foundation with the French climatologist Jean Jouzel and Gilles Vermot Desroches, general delegate of the Schneider Electric Foundation, mask creation workshop on the topic of air pollution and climate with Maskbook by Art of Change 21, etc.

The aim of Creative Klima was to demonstrate that creativity and innovation are major levers of transition dynamics and to offer the general public innovative and original means of action and reflection, mobilizing their own creativity and stories of life.

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:

- for the benefit of the Foundation's partners:
  - teaching programs and vocational training programs for access to energy,
  - support of families affected by fuel poverty;
- for the benefit of social entrepreneurs supported through the Schneider Electric Energy Access (SEEA) investment fund.

Since the creation of Schneider Electric Teachers, 1,347 missions have been completed.

Governance

The Schneider Electric Teachers association lodged its by-laws 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: Olivier Blum (President), Michel Crochon (Vice-President), François Milioni (Secretary, head of Training Program), Christophe Poline (Treasurer, head of SEEA Social Welfare Investment Fund), Emir Boumediene (member, representing volunteers), Gilles Vermot Desroches (member, Sustainable Development Manager). The board met 5 times in 2017, and a General Meeting was held in December 2017.

After less than 5 years in existence, 180 partners in 80 countries had joined the initiative. The community of volunteers included close to 1,900 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.

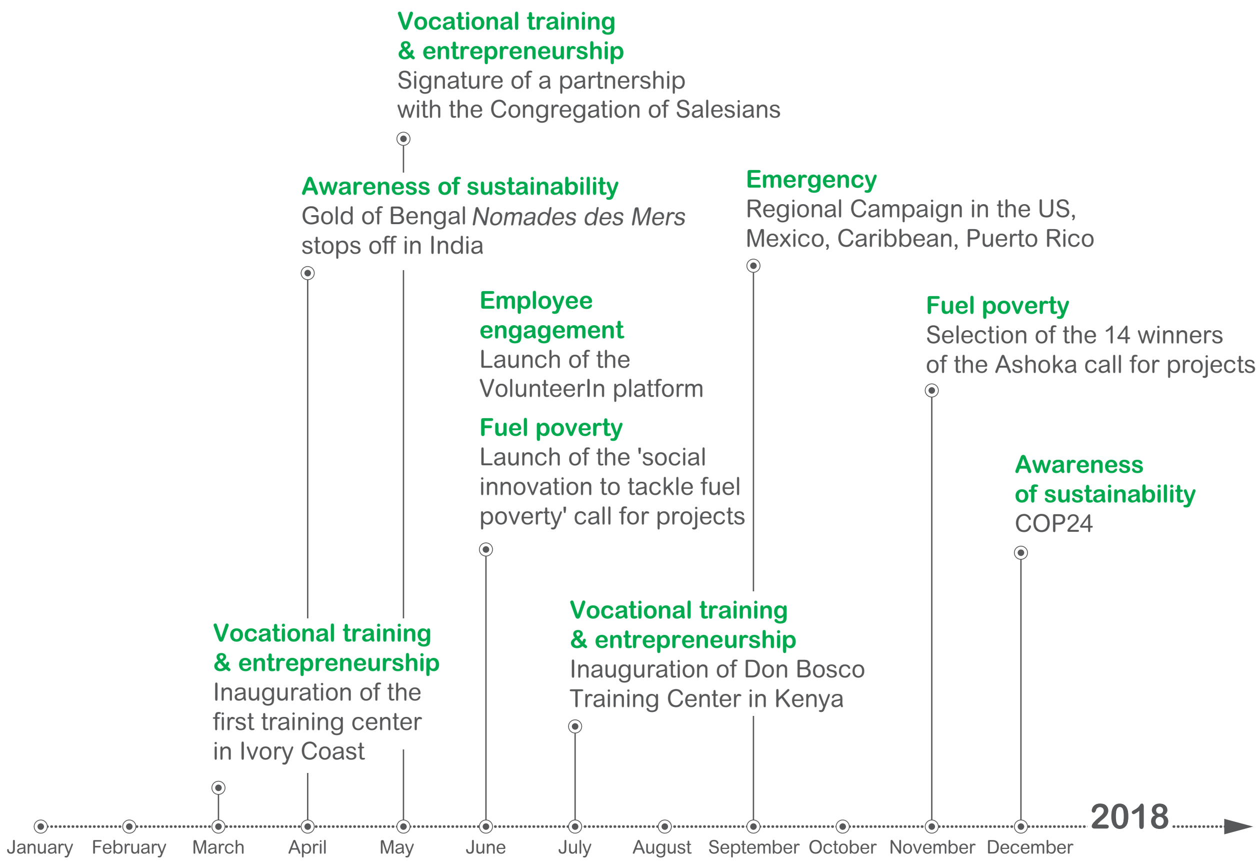
Missions

The missions are mainly:

- missions involving facilities offering teaching and professional training in energy businesses and entrepreneurship or entities that participate in combating fuel poverty (courses, assistance, practical works, equipment installation, finding 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 https://volunteerin.schneider-electric.com.

Highlights of 2017 for the Schneider Electric Foundation



Initiatives in North America

The North America Foundation is committed to serving our communities in the ways that are most meaningful to our employees. To achieve this, we offer the programs below:

- Matching Gift provides a dollar match on employee donations to the non-profit of their choice;
- Dollars for Doers provides financial grants to organizations where our employees volunteer their time;
- Sponsorship Grants provide financial and product grants to sponsor events, capital projects and employee board service;
- Schneider Scholarships are available for children of employees.

In 2017, the North America Foundation contributed USD4 million in financing various charitable organizations.

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.

Vocational training and entrepreneurship

- training and 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;
- employment: support of young people trained under the Schneider Electric Energy Access program so that they can find a job.

In 2017: partnership with 22 new training centers; training of 17,250 unemployed young people in the field of electricity and 139 trainers; organization of 7 "job fair" events.

Since the creation of the Foundation: 85,226 people trained in the electricity trades; 270 training centers; 37 partners; 701 employee missions in the framework of Schneider Electric Teachers since 2014.

Education

In 2017: 105 schools in 10 Indian cities integrated into the "Conserve by Planet" education program; participation of 12,785 students and 210 teachers.

Since the creation of the Foundation: 500 schools in the program Conserve My Planet; participation of 52,000 schoolchildren and 1,100 teachers.

Electrification

- Electrification of underprivileged households in remote areas;
- Emergency support: restoration of the electricity grid after a natural catastrophe.

In 2017: 4,229 electrified homes, or about 21,000 people.

Since the creation of the Foundation: 2,518 electrified homes in 450 rural villages.

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 local 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 and takeover in France

For more than 23 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 3 years. Sustainability rates at 3 years remain above 85%.

SIE's dedicated team of seasoned managers and young work/study participants 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 1,400 project owners have been supported, including electricians, bakers, consultants, graphic designers, asset managers, florists, etc., creating more than 3,500 jobs. Specific support is offered for energy-related projects. These accounted for almost 20% of all supported projects in 2017.

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, *Réseaux Entreprendre*, *France Initiative* and other local structures. SIE also sponsors young developers in the electricity sector from our partners.

Thanks to SIE's expertise in entrepreneurship, it is regularly called upon to develop training courses in this field. SIE is highly active in the promotion of spin-offs and their values particularly through the DIESE Network, an association formed by major groups that support their employees in project creation or takeovers.

Since 2008, we have showcased and rewarded the 6 most creative projects for company creation or takeover by employees of the Group through the "*Vivez l'Aventure*" competition. This competition and the prize-giving bring together many managers from the Group as well as political and economic figures. This annual event is an opportunity to reaffirm the important role this scheme plays in the Group's values and strategy.

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.);
- a business club that brings together the main French industrials (CIADEL) to support actions in favor of the local economy through their combined means and shared experiences.

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 NGOs that are partners with the Access to Energy program or for economic development NGOs (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 and the mechanism materializes some 20 postings throughout the year.

These 3 specific devices are valued and taken into account in the processes and management of human resources in France.

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.

Fifteen 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.

Through this, SIE's action has also helped to promote and support the takeover of old Schneider Electric sites by guaranteeing them industrial sustainability. This is the case with Barentin, and will soon be the case for Dijon and Maranges.

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 steps taken to date are already helping to prepare students in the Access to Energy training program (training for careers in energy for underprivileged populations around the world) to set up an independent electricity business. So far, 6 countries are classified as priorities, and programs are being rolled out.

Similarly, the SIE teams provide help and support to entrepreneurs from partner associations such as Unicités, *Institut de l'engagement* (the Institute of engagement) or local missions (counseling system to help young people into the job market).

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 priority urban 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 policy 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 1 or 2 pilot companies (Schneider Electric in Angoulême, Dijon, Grenoble, Marseille, Rouen, Rennes, Rueil-Malmaison (CAMV), Poitiers, Evreux).

The goal is to attain a positive outcome of 60%, meaning that participants obtain a fixed-term or temporary contract of more than 6 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 2017 more than 5,300 young people had been assisted.

The municipalities involved in the "100 opportunities - 100 jobs" are: Angoulême, Blois, Bordeaux, Chalon-sur-Saône, Chambéry, Châtellerault, Cognac, Compiègne, Dieppe, Dijon, Évreux, Grenoble, Le Havre, Longwy, Marseille, Mont-Valérien (CAMV, Rueil-Malmaison, Suresnes, Nanterre), Nemours, Nice, Plaine Commune, Poitiers, Rennes, Romans-sur-Isère, Rouen, Sisteron, Strasbourg, Sud Seine-et-Marne (CASE) and Valence. In progress: Clermont-Ferrand, Metz, Montélimar, Saint-Étienne and Roubaix.

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) and interim open-ended employment contracts (CDI-I), which accompany the unemployed towards long-term employment and encourage temporary work that integrates people.

Concerning the GreenOValley construction project in Grenoble, we will reach 8,000 hours of work for people newly integrated into the job market.

In such a dynamic context of integration, Schneider Electric recruited more than 70 young people under the **Future Employment** Framework including 21 with a long-term contract 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 environmental 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 updated every year.

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 environmental data indicators, and all of the key performance indicators from the Planet & Society Barometer (see Independent verifier's report on pages 137-138). 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, primarily: Human Resources Analytics 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-site comparison, etc.).

The Safety data of the sites are included in the Group metrics after 1 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 2 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 93% of the total workforce. Performance interviews have taken place with 94% of the workforce. Training programs cover 83% of the workforce.

This data is consolidated over all fully integrated companies within the scope of financial consolidation, including joint ventures over which the Group exercises exclusive control.

Units that belong to Group companies which are fully consolidated are included in reporting on a 100% basis. 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 company program (2015-2017) using Schneider Electric solutions. The program addresses all Schneider Electric sites, and has a particular focus on major energy consumers (218 sites in 2017).

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 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. All energy consumption that can be modeled is 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 71% of the Group's total transport costs.

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.

2017 being the last year of the 2015-2017 triennial strategic plan, the methodology for calculating this indicator in 2017 has been supplemented to reflect that:

- the performance of the 3rd year measures the overall performance over the 3 years, and as such reflects the average reduction in tons of CO_2 over the period;
- while the figures published each year (here in 2015 and 2016) relate to the performance of each year compared to the 2014 baseline, as defined in the reporting protocol.

In addition, the retrospective restatement of the 2015 and 2016 data sent by a strategic supplier of Schneider Electric led to an upward revision of the performance over this period.

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.

Waste is considered not landfill if it is sent to a waste provider for recycling or disposal in any manner except landfill and incineration without energy recovery (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 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 4 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 indicator measures the share of sales made with a Green Premium™ offer from sales figures for the year n-1. The Green Premium™ eligible scope for 2015-2017 covers all 4 Schneider Electric Businesses: Industrial automation (including former Invensys), Critical power, Medium voltage (including former Areva), Low voltage (including North America offerings – NEMA). It is composed of the tangible products (solutions, services, and software out of the scope). The total 2016 eligible turnover, obtained from our sales reporting software, amounts to EUR13.9 billion.

This indicator was audited by Ernst & Young.

100% of new large customer projects with CO_2 impact quantification

Calculating and monetizing the CO_2 footprint has become a global trend, especially since COP21. The aim of the project is to:

- establish a reliable tool to calculate and report the CO_2 footprint of Schneider Electric's major customer projects:
  - for the customer: overall CO_2 impact of the project,
  - for Schneider Electric: overall CO_2 impact of its contribution to the project;
- establish relevant strategies for using the CO_2 calculator commercially:
  - calculate the CO_2 emissions avoided in relation to reference scenarios,
  - identify situations in which the CO_2 impact can become a commercial advantage.

The scope covers projects awarded which have been recorded during the year, at the global level, beyond a certain amount. The indicator calculates the percentage of projects with quantification of the CO_2 impact.

This indicator was audited by Ernst & Young.

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 its life, by Schneider Electric Field Services teams (End of Life, EcoFit™ centers, 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 electrification, energy services and training equipment and training contracts. Sales are aggregated every quarter based on invoicing data from operational entities.

Following the disposal of the subsidiary Conlog, the sales of this subsidiary have been excluded from the 2016 scope, without, however, changing the 2014 baseline or 2017 target.

This indicator was audited by Ernst & Young.

100% of our recommended suppliers embrace ISO 26000 guidelines

The objective is to motivate "recommended" (also called "strategic") 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 as 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 7 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 of 10 self-assessment questions, 2 of which are not applicable to all entities (the internal control team determines which sites are concerned by the HR and supplier-related internal control questions). Entities are considered as 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 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-on-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 7 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 3 months in the company since the end of 2015; new acquisitions 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 OneVoice satisfaction surveys, Schneider Electric employees are asked a series of questions; 6 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.

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 3 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 trainer training, and support for future entrepreneur 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. An international mission corresponds to the departure of a volunteer, for a period of at least 5 days. A local mission corresponds to the commitment of a volunteer to the Schneider Electric Teachers NGO during the year.

A change in the calculation method for this indicator was made in 2016 in order to prevent a single volunteer taking action several times in the year in local missions from being counted multiple times. Given its insignificant impact on the score of the barometer, historical data has not been restated. With the new methodology, the 2015 barometer score would have been 6.28/10 instead of 6.33/10 (published score).

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	143-144
Hiring and layoffs	145-146
Remuneration and its development	117-118, 180-212
b) Organization of work	
Organization of working time	145, 147
Absenteeism	147
c) Social relations	
Organization of social dialog – particularly information and personnel consultation procedures and personnel negotiation procedures	118-120, 147
List of collective agreements	118-120, 147
d) Health and safety	
Health and safety conditions in the workplace	107-109, 147
List of agreements signed with unions or employee representatives regarding health and safety in the workplace	147
Work accidents, particularly their frequency and their severity…	147
… as well as occupational illnesses	108, 117-118, 147
e) Training	
Training policies implemented	110-114
Total number of training hours	148
f) Equality of treatment	
Measures taken towards gender equality	114-115, 134
Measures taken towards employment and involvement of persons with disabilities	116
Anti-discrimination policy	114-115, 87-89
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.	78-79, 85-87, 87-91, 118-120

2 Environmental information	Pages
a) General environmental policy	
Organization of the company to take into account environmental questions and, when necessary, environmental evaluation or certification approaches	98, 101, 139
Employee training and information actions regarding environmental protection	88-89, 98, 148
Environmental risk and pollution prevention means	102
Amount of provisions and cover for environmental risks except if this is likely to cause serious harm to the company in a pending litigation	50
b) Pollution	
Measures for prevention, reduction or repair of emissions in the air, water and ground with serious environmental effects	90, 140
Consideration of any form of pollution specific to an activity, particularly noise and light pollution	101
c) Circular economy	
◆ Waste prevention and management	
Measures for prevention, recycling, reuse, other forms of recovery and removal of waste	103-105, 140
Actions to combat food waste	N/A
◆ Sustainable use of resources	
Water consumption and supply according to local constraints	47, 140
Raw material consumption and measures taken to improve the efficiency of their use	103
Energy consumption and measures taken to improve energy efficiency and the use of renewable energies	82-83, 140
Land use	102
d) Climate change	
Significant sources of greenhouse gas emissions generated as a result of the company's activities, particularly through the use of the goods and services it produces.	97-98, 140
Measures taken to adapt to the consequences of climate change	92-93, 100, 103, 105, 132, CDP
Reduction targets set voluntarily in the medium and long term to reduce GHG emissions and means implemented for this purpose	66-67, 132, 70, 94, 98-99, CDP
e) Biodiversity protection	
Measures taken to preserve or develop biodiversity	97-102, 76

3 Information relating to societal commitments in sustainable development	Pages
a) Territorial, economic and social impact of the company's activity	
◆ Regarding employment and regional development	120-125, 129-130
◆ On neighboring or local populations	120-125, 129-130, 124
b) Relations with the persons or organizations involved in the company's activity, particularly involvement organizations, teaching establishments, environmental defense organizations, consumer associations and neighboring populations	
Conditions of dialog with these persons or organizations	72-73
Partnership or sponsorship actions	74-76
c) Subcontracting and suppliers	
Consideration within the company's purchasing policy of social and environmental issues	85-87
Consideration within relations with subcontractors and suppliers of their social and environmental responsibility	85-87
d) Loyalty of practices	
Anti-corruption actions taken	90-91
Measures taken towards consumer health and safety	96-98, 22
e) Other actions taken towards human rights, within the scope of this third indicator	91

6.3 Independent verifier's report on consolidated social, environmental and societal information presented in the management report

Year ended on December 31st, 2017

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC , under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Schneider Electric S.E., we present our report on the consolidated social, environmental and societal information established for the year ended on December 31st, 2017, presented in the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L.225-102-1 of the French Commercial code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial code (*Code de commerce*), in accordance with the protocols used by the company's HR, safety and Environment reporting procedures (hereafter referred to as the "Criteria"), and of which a summary is included in the management report and available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria;
- to express, at the request of the company, a reasonable assurance conclusion that the information selected by the company and identified in section 3 of the present report, has been established, in all material aspects, in accordance with the Criteria.

Nonetheless, it is not our role to give an opinion on the compliance with other legal dispositions where applicable, in particular those provided for in the Article L. 225-102-4 of the French Commercial Code (vigilance plan) and in the Sapin II law n°2016-1691 of 9 December 2016 (anti-corruption).

Our verification work mobilized the skills of eight people between September 2017 and March 2018 for an estimated duration of 21 weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000[(2)].

1.Attestation of presence of CSR Information

Nature and scope of the work

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

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

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial code (*Code de commerce*).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code (*Code de commerce*) with the limitations specified in the Methodological Note in chapter 2 of the management report ("2.6 Methodology and audit of indicators").

Conclusion

Based on this work, and given the limitations mentioned above we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook approximately 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:

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

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important[1]:

- at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;

at the level of the representative selection of sites that we selected[2]. based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented 7% of the total workforce and between 7% and 13% of the quantitative environmental information, that were considered as representative characteristics of the environmental and social domains.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Observations

Without qualifying our conclusion above, we draw your attention to the following points:

- the calculation methodology of the Planet & Society barometer indicator "10% CO_2 savings from transportation" was changed for the 2017 value, as presented in the paragraph "2.6 Methodology and audit of indicators".
- Different understandings from the sites of the calculation methodology for the indicators "Total employees" (environmental indicator) and "Average supplementary workforce" (social indicator), affect significantly the homogeneity of the information reported, but do not affect the year on year evolutions observed. The following indicators are also affected: "Total waste produced per employee", "Water consumption per employee", "VOC per employee", "Energy consumption per employee", "CO_2 linked to energy consumption per employee".

3.Reasonable assurance on a selection of CSR Information

Nature and scope of work

Regarding the two barometer indicators "One day training for every employee every year" and "75% of product revenue with Green Premium eco-label", we undertook works 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 these works allow us to express a reasonable assurance opinion on this information.

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 12th, 2018 French original signed by:

Independent Verifier

ERNST & YOUNG et Associés

Eric Mugnier
Partner, Sustainable Development

Bruno Perrin
Partner

(1) Social information: information and indicators marked with a « tick » in the text of chapter 2 « Sustainable Development » of the management report. Environmental and Societal information: information and indicators marked with a « tick » in the text of chapter 2 « Sustainable Development » of the management report including, concerning greenhouse gas emissions, scope 1 & scope 2 emissions, as well as emissions related to purchased transportation (part of scope 3).

(2) Batam PEL (Indonesia), Cavite ITB (Philippines), Cajamar (Brazil), Guararema (Brazil), Beaumont le Roger (France), Clovis (United States), Lincoln (United States), Regensburg (Germany), HR Services South America (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 2 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 83% of the Group headcount.

Schneider Electric provides readers 2 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.

Key performance indicators from the Planet & Society barometer

Objectives for year-end 2017	2017	2016	2015	2014
1. 10% energy savings	10.3% ▲	7.1%	4.5%	-
2. 10% CO_2 savings from transportation*	10.3% ▲	11.2%	8.4%	-
3. Towards Zero Waste to Landfill for 100 industrial sites	130 ▲	99	64	34
4. 100% of products in R&D designed with Schneider ecoDesign Way™	100% ▲	81.6%	13.3%	-
5. 75% of product revenue with Green Premium™ eco-label	80.1% ▲	74.8%	67.1%	60.5%
6. 100% of new large customer projects with CO_2 impact quantification	100% ▲	16%	-**	-
7. 120,000 tons of CO_2 avoided through maintenance, retrofit and end-of-life services	168,400 ▲	101,508	44,777	-

The 2014 performance serves as a starting value for the Planet & Society Barometer 2015-2017.
▲ *2017 audited indicators.*
* *2017 being the last year of the 2015-2017 plan, the methodology for calculating this indicator in 2017 has been supplemented, see note on pages 131-132.*
** *Results measured from 2016 (measurement tools deployed in 2015).*
Please refer to pages 131-134 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 99-100 for indicator 1, 100 for indicator 2, 104-105 for indicator 3, 96-97 for indicator 4, 96 for indicator 5, 93 for indicator 6, 104 for indicator 7).

ISO 14001 certification of the sites

	2017	2016	2015
Number of ISO 14001 Certified Sites	263 ▲	270	259
Industrial and logistics sites	238	247	244
Tertiary sites	25	23	15
New sites certified this year	3	18	15
Certified sites that have closed or consolidated this year	10	7	26

▲ *2017 audited indicators.*
UP = Unpublished.

Group site consumption, emissions and waste

GRI	Indicators	Current Scope 2017	Current Scope 2016	Current Scope 2015	Constant Scope 2017	Constant Scope 2016
	Number of participating sites	282 ▲	295	297	263	263
	Total employees*	117,042 ▲	116,661	114,074	116,573	112,759
306-2	Non-hazardous waste produced (in t)	150,377 ▲	142,059	142,085	150,297	139,252
306-2	Hazardous waste produced (in t)	10,383 ▲	10,356	9,294	10,377	10,122
306-2	Total waste produced per employee (in t/p)	1.4 ▲	1.3	1.2	1.4	1.3
306-2	Non-hazardous waste recovered (in t)	141,333 ▲	132,174	122,159	141,254	129,501
306-2	Share of non-hazardous waste recovered	94%▲	93%	91.2%	94%	93%
	of which metal waste recovered	99.6%	99.4%	99%	UP	UP
306-2	Hazardous waste channelled to the appropriate treatment facility (in t)	9,745 ▲	9,628	7,485	9,739	9,395
303-1	Water withdrawn for consumption (m^3)	2,671,587 ▲	2,662,616	2,335,670	2,665,669	2,612,225
	of which public water (m^3)	2,163,212	2,145,660	1,793,714	UP	UP
	of which ground water (m^3)	461,780	457,666	462,423	UP	UP
	of which surface water (m^3)	18,750	20,684	18,230	UP	UP
	of which other sources (m^3)	31,150	38,606	61,303	UP	UP
303-1	Water consumption/employee (m^3/p)	22.8 ▲	22.8	20.5	22.9	23.1
	Change in water consumption per employee	-	-	-	-0.8%	-
	Target consumption of water per employee	-	-	-	-1.66%	-
303-1	Water withdrawn for cooling (m^3) restituted w/o impact	1,460,663 ▲	682,048	611,508	UP	UP
305-7	VOC emissions (kg) (estimates)	730,046 ▲	700,369	441,131[(1)]	727,697	699,157
305-7	VOC/employee (kg/p) (estimates)	6.2 ▲	6.0	3.9	6.2	6.2
302-1, 302-4	Energy consumption (MWh equivalent)	1,210,896 ▲	1,181,413	1,222,176	1,211,962	1,158,889
	Electricity (indirect consumption)	837,028	843,440	860,197	838,094	825,825
	District heating (indirect consumption)	23,656	29,644	31,783	23,656	29,644
	Fuel oil (direct consumption)	8,451	12,882	11,867	8,451	12,862
	Gas (direct consumption)	323,941	293,294	318,269	323,941	288,404
	Coal (direct consumption)	0	0	0	0	0
	Renewable energy (direct consumption)	16,194	2,153	60	16,952	2,153
302-1, 302-4	Energy consumption per employee (MWh)	10.3 ▲	10.1	10.3	10.4	10.3
305-1, 305-2, 305-5	CO_2 emissions linked to energy consumption (in t) (estimates)[(2)]	458,814 ▲	450,677	445,963	459,555	443,306
305-2	Electricity (indirect emission)	377,593	369,720	364,994	378,334	363,368
305-2	District heating (indirect emission)	8,818	11,549	12,639	8,818	11,549
305-1	Fuel oil (direct emission)	5,605	9,283	3,085	5,605	9,266
305-1	Gas (direct emission)	66,620	60,125	65,245	66,620	59,123
305-1	Coal (direct emission)	0	0	0	0	0
305-1	Renewable energy	0	0	0	0	0
305-1, 305-2, 305-5	CO_2 linked to energy consumption per employee (in t/p)	3.9 ▲	3.9	3.9	3.9	3.9

GRI	Indicators	Current Scope 2017	Current Scope 2016	Current Scope 2015	Constant Scope 2017	Constant Scope 2016
305-1	SF_6 emissions (in tCO_2 equivalent)[(3)]	12,688 ▲	16,444	21,724	12,688	16,444
	SF_6 leakage rate	0.29% ▲	0.34%	0.38%	UP	UP
	Target SF_6 leakage rate	0.25%	0.35%	0.40%	-	-
305-1	Total scope 1 CO_2 emissions (direct energy consumption and SF_6 emissions in t) of reporting perimeter	84,913 ▲	85,852	90,054	84,913	84,833
305-2	Total scope 2 CO_2 emissions (indirect energy consumption in t) of reporting perimeter	386,412 ▲	381,269	377,633	387,152	374,917
305-1, 305-2,	Total scopes 1 and 2 CO_2 emissions (in t) of reporting perimeter	471,325 ▲	467,121	467,687	472,065	459,750
305-5	Total scopes 1 and 2/Turnover (t/EUR)	0.000019	0.000019	0.000018	0.000019	0.000019

▲ *2017 audited indicators.*
UP = Unpublished.
* *For the indicator "Total employees" and the resulting ratios, some sites calculate full-time equivalents and others report headcounts at the end of each month. Since this situation has been considered recurrent for several years, the evolution of these indicators is considered representative.*
(1) 2015 VOC data restated in 2016.
(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 2015; 16 sites in 2016; 16 sites in 2017.
Constant scope emissions are not corrected for activity level.

CO_2 emissions in transportation (scope 3)

GRI	Indicator	2017	2016	2015
305-3	CO_2 emissions on transportation paid by the Group (in tCO_2 equivalent)	682,597 ▲	568,700*	592,228*

▲ *2017 audited indicators. Calculation based on an estimated coverage of 71% (in 2017, 2016 and 2015) extrapolated to 100%.*
* *2015 and 2016 data restated in 2017.*

7.2 Social indicators

The indicators below have a Group scope.

The Safety data of the sites are included in the Group metrics after 1 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 2 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 131). Certain indicators cover 93%, 94% or 83% 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.

Key performance indicators from the Planet & Society Barometer

Objectives for year-end 2017	2017	2016	2015	2014
1. 30% reduction in the Medical Incident Rate (MIR)	38% ▲	33%	17%	-
2. One day training for every employee every year	92% ▲	92	85.6%	79%
3. 64% scored in our Employee Engagement Index	65% ▲	64	61%	61%
4. 85% of employees work in countries with Schneider gender pay equity plan	89% ▲	75%	57%	-

The 2014 performance serves as a starting value for the Planet & Society Barometer 2015-2017.
▲ *2017 audited indicators.*
Please refer to pages 131-134 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 107-109 for indicator 1, 111 for indicator 2, 109 for indicator 3, and 115 for indicator 4).

Workforce

GRI	Indicators	2017	2016	2015
	Workforce			
102-8	Average workforce including supplementary personnel	153,124 ▲	161,768	181,361
	Blue collar (DVC)	80,895	85,252*	97,925
	White collar (non-DVC)	72,229	76,516*	83,437
	Share of DVC (Direct Variable Cost)	52.8%	52.7%	54%
	Share of non-DVC	47.2%	47.3%	46%
102-8	Average supplementary workforce**	13,630 ▲	14,676	17,525
102-8	Spot workforce at year-end excluding supplementary personnel(1)	142,013 ▲	143,901	160,843
	Open-ended contract	87.3%	87.3%	91.6%
	Fixed-term contract	12.7%	12.7%	8.4%
102-8	Share of temporary personnel (fixed-term contracts and supplementary personnel)(2)	20.8%	21.4%	16.5%
102-8	Organization of working time(3)			
	Full-time	98%	98%	98%
	Part-time	2%	2%	2%
401-1	Hires(4)	20,861 ▲	16,788	28,358
401-1	Departures(4)	24,871 ▲	25,383	32,840
	Layoffs	6,664 ▲	6,798	6,916
	Resignations	11,526 ▲	12,418	18,259
	Other (retirement, end of contract, etc.)	6,681 ▲	6,167	7,665
401-1	Voluntary turnover	8.2% ▲	8.5%	11.1%
102-8	Breakdown of workforce by region(2)			
	Asia-Pacific	31%	31%	35%
	Western Europe	27%	27%	26%
	North America	22%	21%	19%
	Rest of the world	20%	21%	20%
102-8	Breakdown of workforce by country (the most significant countries)(2)			
	France	12%	12%	11%
	United States	13%	13%	12%
	China	10%	10%	16%
	India	10%	10%	9%
	Mexico	7%	6%	5%
	Spain	3%	3%	3%
	Brazil	2%	2%	2%
	Germany	3%	3%	3%
	Australia	2%	2%	2%
	Indonesia	3%	3%	3%
	United Kingdom	3%	3%	3%
	Russia	6%	6%	6%

GRI	Indicators	2017	2016	2015
102-8	Annual change in workforce by country (the most significant countries)(2)			
	France	-3%	-4%	-3%
	United States	+1%	-6%	-5%
	China	-2%	-42%	+2%
	India	0%	-5%	-4%
	Mexico	+12%	+7%	+2%
	Spain	+1%	-11%	-10%
	Germany	+4%	-3%	-3%
	Brazil	-12%	-18%	-20%
	Australia	-9%	-8%	-7%
	Indonesia	+7%	-3%	-6%
	United Kingdom	+1%	-6%	-1%
	Russia	-7%	-9%	-11%
102-8	Breakdown of workforce by gender(2)(3)			
	Men	68% ▲	69%	70%
	Women	32% ▲	31%	30%
102-8	Breakdown of workforce by gender and by category(2)			
	White collar	51%	52%	46%
	Men	68%	69%	70%
	Women	32%	31%	30%
	Blue collar	49%	48%	54%
	Men	68%	68%	69%
	Women	32%	32%	31%
102-8	Breakdown of workforce by age(2)			
	14/24 years	7.3%	6.9%	5.5%
	25/34 years	28.8%	29.6%	29.1%
	35/44 years	30.0%	29.7%	29.9%
	45/54 years	21.2%	21.3%	21.6%
	55/64 years	11.9%	11.7%	12.6%
	> 64 years	0.9%	0.8%	1.1%
102-8	Breakdown of workforce by seniority(2)			
	< 5 years	44.3%	42.5%	42.1%
	5/14 years	34.8%	35.9%	34.6%
	15/24 years	12.3%	12.6%	12.8%
	25/34 years	6.0%	6.3%	7.5%
	> 34 years	2.6%	2.6%	3.0%
102-8	Breakdown of workforce by function(2)			
	Marketing	3.2%	3.3%	3.2%
	Sales	11.5%	11.5%	10.4%
	Services and projects	18.5%	18.6%	18.4%
	Support	25.8%	25.7%	18.2%
	Technical	6.2%	6.2%	6.2%
	Industrial	34.7%	34.8%	14.4%

GRI	Indicators	2017	2016	2015
	Hires(4)			
401-1	Breakdown by type of contract			
	Permanent contract	60%	60%	72%
	Fixed-term contract	40%	40%	28%
401-1	Breakdown by category			
	White collar	35%	38%	28%
	Blue collar	65%	62%	72%
	Breakdown by gender			
	Men	58%	58%	61%
	Women	42%	42%	39%
	Breakdown by age			
	14/24 years	34.2%	37.7%	35%
	25/34 years	37.3%	37.2%	38.7%
	35/44 years	16.8%	16.3%	17.2%
	45/54 years	7.9%	6.3%	6.6%
	55/64 years	3.3%	2.2%	2.1%
	> 64 years	0.5%	0.3%	0.3%
401-1	Breakdown by region			
	Asia-Pacific	38%	43%	54%
	Western Europe	16%	UP	UP
	North America	28%	27%	22%
	Rest of the world	18%	UP	UP
	Layoffs(4)			
401-1	Breakdown by type of contract			
	Open-ended contract	80%	81%	84%
	Fixed-term contract	20%	19%	16%
401-1	Breakdown by category			
	White collar	40%	40%	41%
	Blue collar	60%	60%	59%
401-1	Breakdown by Region			
	Asia-Pacific	28%	31%	36%
	Western Europe	14%	UP	UP
	North America	34%	35%	29%
	Rest of the world	24%	UP	UP
	Resignations(4)			
401-1	Breakdown by seniority(5)			
	< 1 year	41.0%	37.6%	28.9%
	1/4 years	35.3%	39.2%	40.1%
	5/14 years	20.0%	19.3%	19.9%
	15/24 years	2.7%	3.0%	4.7%
	25/34 years	0.7%	0.7%	3.2%
	> 34 years	0.2%	0.3%	3.3%

GRI	Indicators	2017	2016	2015
	Departures			
401-1	Breakdown by gender			
	Men	61.8%	63.1%	64.6%
	Women	38.2%	36.9%	35.1%
401-1	Breakdown by age			
	14/24 years	22.8%	26.6%	22.4%
	25/34 years	33.4%	33.9%	35.4%
	35/44 years	21.5%	19.2%	19.4%
	45/54 years	11.2%	10.0%	11.0%
	55/64 years	9.3%	8.6%	9.7%
	> 64 years	1.8%	1.7%	2.1%
401-1	Breakdown by region			
	Asia-Pacific	32%	38%	50.5%
	Western Europe	17%	UP	UP
	North America	30%	27%	19.7%
	Rest of the world	21%	UP	UP
	Average supplementary workforce			
102-8	Breakdown by category			
	White collar	15.3%	15.7%	20.1%
	Blue collar	84.7%	84.3%	79.9%
102-8	Breakdown by region			
	Asia-Pacific	63.42%	63.0%	61.3%
	Western Europe	17.15%	UP	UP
	North America	9.2%	6.1%	7.5%
	Rest of the world	10.23%	UP	UP

Health and safety of employees and subcontractors

GRI	Indicators	2017	2016	2015
403-2	Number of medical incidents[8]	330 ▲	361	514
	of which Schneider Electric employees	274	300	433
	of which subcontractors	56	61	81
403-2	Number of lost-time accidents[8]	178 ▲	219	310
	of which Schneider Electric employees	147	177	263
	of which subcontractors	31	42	47
403-2	Number of fatal accidents	1	1	2
	of which Schneider Electric employees	1	1	2
	of which subcontractors	0	0	0
403-2	Medical Incident Rate[9]	1.15 ▲	1.24	1.53
	of which Schneider Electric employees	1.11	1.19	1.63
	of which subcontractors	1.38	1.55	1.14
403-2	Lost-Time Injury Rate (LTIR)(9)	0.62 ▲	0.75	0.92
	of which Schneider Electric employees	0.60	0.7	0.99
	of which subcontractors	0.76	1.07	0.66
403-2	Lost-Time Day Rate (LTDR)[9]	20.67 ▲	17.88	25.10
	of which Schneider Electric employees	22.63	19.02	27.98
	of which subcontractors	8.86	10.56	14.27
403-2	Number of lost days	5,907 ▲	5,208	8,444
	of which Schneider Electric employees	5,547	4,793	7,434
	of which subcontractors	360	415	1,010
403-2	Number of hours worked	285,796,584 ▲	291,348,466	336,442,896
	of which Schneider Electric employees	245,147,419	252,052,556	265,646,667
	of which subcontractors	40,649,165	39,295,910	70,796,232

Dialog and social relations

GRI	Indicators	2017	2016	2015
102-41	Employees represented by[5]			
	Unions	66.3%	69.4%	69.2%
	Works Council	59.7%	65.3%	52.4%
403-1	Health and Safety Committee	88.8%	84.4%	75.1%
102-41	Number of collective agreements[5]	114	129	127
102-41	Employees covered by collective bargaining agreements	82.8%	84.1%	83.3%

Talent development and training

GRI	Indicators	2017	2016	2015
404-1	Number of training hours[8]	3,402,700 ▲	3,618,553	3,383,318
404-1	Average hours of training per person[8]	29	30.1	27.7
	White collar	25.2	33.8	30.8
	Blue collar	32.4	25.7	24.3
	Average hours of training per person[8]			
	Men	30	30.4	28.7
	Women	28	26.8	25.0
404-1	Breakdown of hours by category[2]			
	White collar	59%	60.4%	59%
	Blue collar	41%	39.6%	41%
404-2	Employees taking one day training (7 hours or more)	92% ▲	92%	85.6%
	Breakdown by country			
	France	87.4%	88.3%	82%
	United States	89.2%	90.3%	78%
	China	96.2%	94.0%	91%
	India	98.4%	96.6%	93%
	Mexico	95.4%	93.7%	96%
	Spain	91.5%	93.4%	91%
	Brazil	88.2%	90.7%	89%
	Germany	91.3%	91.5%	85%
	Australia	84%	89.9%	79%
	Indonesia	91%	87.2%	77%
	United Kingdom	85.7%	84.6%	73%
	Russia	95.3%	91.9%	88%
	Breakdown of hours by training type[2]			
	Health, safety and environment	4%	17.4%	18.1%
	Technical	13%	9.6%	9.5%
	Languages	2%	3.0%	4.1%
	IT	5%	6.3%	1.0%
	Products, Solutions and Services	11%	10.6%	10.7%

GRI	Indicators	2017	2016	2015
	Management and ***Leadership***	7%	6.9%	7.2%
	Personal Development	3%	7.9%	20.6%
	Others	55%	28.9%	19.8%
	Breakdown of costs by category(2)			
	White collar	62%	66.3%	76.4%
	Blue collar	38%	33.7%	23.6%
404-3	Employees having had a performance interview(3)	97.2%	95.1%	62.4%
404-3	Breakdown by category			
	White collar	74.5%	85%	75%
	Blue collar	25.5%	15%	25%
404-3	Breakdown by gender			
	Men	73.7%	75%	75%
	Women	26.3%	25%	25%

▲ *2017 audited indicators.*
UP = Unpublished
* *2016 data updated in 2017 to take into account personnel who were not categorized DVC/NDVC in the system; pro-rata distribution without modifying the initial DVC/NDVC shares.*
** *For the indicator "Average supplementary workforce" and related indicators, some sites calculate full-time equivalents and others report headcounts at the end of each month. Since this situation has been considered recurrent for several years, the evolution of these indicators is considered representative. However, Schneider Electric has planned an action plan to harmonize these methodologies during the year 2018.*
(1) Schneider Electric fixed-term contract and open-ended contract personnel.
(2) Based on spot workforce at year-end.
(3) The data relates to 94% of the Group's workforce at 12/31/2017 (TalentLink).
(4) Acquisitions/disposals and supplementary staff are not taken into account in the calculation.
(5) The data relates to 93% of the Group's workforce at the end of December 2017 (annual survey).
(6) Includes business travel, excludes home/workplace travel.
(7) LTIR = Number of incidents with lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident frequency rate. LTDR = Number of lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident severity rate (the latter, however, is calculated per thousand hours worked). MIR = Number of accidents requiring medical treatment x 1,000,000/number of hours worked.
(8) The data covers 83% of the Group's workforce (MyLearningLink).

7.3 Societal indicators

Indicators are published on the basis of 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 EUR17 million in 2017, 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

	2017
FOUNDATION'S INTERVENTION BUDGET	**4,000,000**
Breakdown by program *(in %)*	
Training and opportunities for young adults	50%
Fuel poverty	13%
Raising awareness about sustainable development	19%
Entrepreneurship	11%
Employees' volunteering/skills-based sponsorship	5%
Other	2%
Breakdown by region *(in %)*	
Africa & Middle East	22%
America	2%
Asia	26%
Europe	50%

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

	2017
TOTAL FINANCIAL CONTRIBUTION ***(IN EUROS)***	**6,322,592**
From employees	975,835
From the Schneider Electric entity	5,289,964
From partners	56,793
Financial contribution per region *(in %)*	
Africa & Middle East	8%
America	37%*
Asia	20%
Europe	35%
DONATIONS IN PRODUCTS OR SERVICES FOR A PARTNER/PROJECT OF THE FOUNDATION ***(IN EUROS)***	**7,092,618**
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

FOUNADTION BUDGET, FINANCIAL CONTRIBUTIONS AND DONATIONS IN KIND *(IN EUROS)*	17,415,210

Key performance indicators from the Planet & Society barometer

Objectives for year-end 2017	2017	2016	2015	2014
1. x5 turnover of Access to Energy program to promote development*	x2.21 ▲	x 2.08	x2.07	-
2. 150,000 underprivileged people trained in energy management	148,145 ▲	123,839	102,884	73,339
3. 1,300 missions within Schneider Electric Teachers NGO*	1,347 ▲	1,065	878	460

The 2014 performance serves as a starting value for the Planet & Society Barometer 2015-2017.
▲ *2017 audited indicators.*
* *A methodological change was made in Q4 2016, see note on page 134.*
Please refer to pages 111 to 114 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 122-124 for indicator 1, 124-125 for indicator 2, and 127-128 for indicator 3).

For more information:

- http://www.schneider-electric.com/ww/en/ (> About us > Sustainability)
- https://volunteerin.schneider-electric.com/en/

To contact us:

Email: global-sustainability@schneider-electric.com

Mail: Schneider Electric

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

3 Corporate governance report

This corporate governance report has been approved by the board of directors at its meeting of February 14, 2018.

Corporate governance code

The company applies all the AFEP/MEDEF corporate governance guidelines.

The guidelines are available online at www.medef.fr.

1. The board of directors

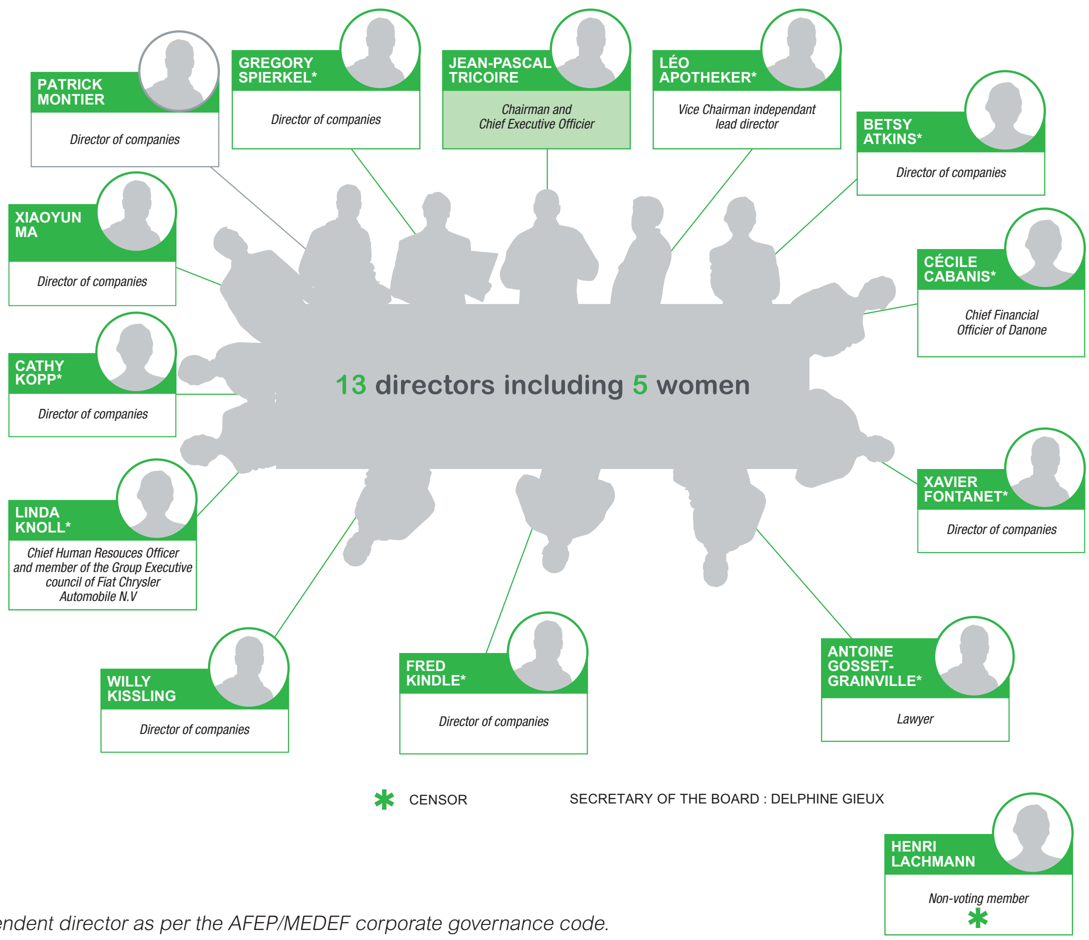
1.1 Membership of the board of directors (at December 31, 2017)

The board of directors must have at least 3 and up to 18 members, all of whom must be natural persons elected by the shareholders at 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 at 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 4-year terms (renewable). However, from the age of 70, directors are re-elected or appointed for a period of 2 years. No more than one-third of the directors may be aged 70 or over.

As of December 31, 2017, the board of directors comprised of 13 directors, and 1 non-voting director, Mr. Henri Lachmann:



* Independent director as per the AFEP/MEDEF corporate governance code.

* Independent director as per AFEP/MEDEF corporate governance Code.

Overview of the composition of the board of directors

	Age	Gender	Indepen-dence	Audit and risks committee	Governance and remunerations committee	Human Resources and CSR committee	Strategy Committee	First appointment*	Seniority on the board*	Term end
Chairman and Chief Executive Officer – Director										
Jean-Pascal Tricoire	54	M						2013	4	2021
Vice-chairman independent lead director										
Léo Apotheker	64	M	○		●		○	2008	9	2020
Director										
Betsy Atkins	64	W	○				○	2011	6	2019
Cécile Cabanis	46	W	○	●				2016	1	2020
Xavier Fontanet	69	M	○				●	2011	6	2018
Antoine Gosset Grainville	51	M	○	○				2012	5	2020
Fred Kindle	58	M	○	○			○	2016	1	2020
Willy Kissling	73	M			○	○		2001	16	2018
Linda Knoll	57	W	○		○	●		2014	3	2018
Cathy Kopp	68	W	○			○		2006	11	2018
Gregory Spierkel	60	M	○		○		○	2015	1	2019
Director representing employee shareholders										
Xiaoyun Ma	54	W				○		2017	-	2021
Director representing employees										
Patrick Montier	61	M					○	2017	-	2021

* *As a director or member of the supervisory board (if any, the period of presence on the board as a non-voting member is not taken into account).*

● *Chairperson of the committee* ○ *Member of the committee*

60 years
Average age of directors

9 (82 %)
Independent directors

42 %
Women and directors (director representing employees excluded)

List of directorships and other functions of directors at December 31, 2017

Chairman of the board of directors and Chief Executive Officer

Mr. Jean-Pascal Tricoire

Age: 54 years
Nationality: french

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

442,568(1) Schneider Electric SE shares

First appointed: 2013/Term ends: 2021

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 5 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 joined the Schneider Electric Group (Merlin Gerin) in 1986. From 1988 to 1999 he occupied operational functions within Schneider Electric abroad, in Italy (5 years), China (5 years) and South Africa (1 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 and then re-elected on April 25, 2017.

Vice-chairman independent lead director

Mr. Léo Apotheker*

Age: 64 years
Nationality: french/german

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

3,088 Schneider Electric SE shares

First appointed: 2008/Term ends: 2020

Directorships and other functions

- Currently:

  Vice-chairman independent lead director of **Schneider Electric SE**, Chairman of the Governance and remunerations committee and member of the Strategy committee.

  - Other directorships in listed companies:

    Director of **NICE-Systems Ltd** (Israel).
  - Other directorships or functions:

    Chairman of the board of directors of Unit 4 NV (Netherlands), Chairman of the Supervisory board of Signavio GmbH (Germany), Director of KMD A.S. (Denmark), Director of P2 Energy Solutions (United States), Director of Taulia (United States).
- Previous directorships and functions held in the past 5 years:

  Manager of "Efficiency Capital" fund, Vice-Chairman of the supervisory board of **Schneider Electric SA**, Member of the supervisory board of **Steria**, Chairman and CEO of **Hewlett-Packard**, Member of the board of directors of **Hewlett-Packard**, Director of **GTNexus** (United States), Member of the board of directors and the Strategy Committee of **Planet Finance**, Chairman of the board of KMD A.S. (Denmark).

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

Ms. Betsy Atkins*

Age: 64 years
Nationality: american

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 in listed companies:

    Member of the board of directors of **HD Supply Holdings, Inc.** (United States); Member of the Audit committee and member of the board of directors of **SL GREEN REALTY Corp.** (United States), Member of the Financial policy & Compensation committee of **Cognizant Inc.** (United States).

  - Other directorships or functions:

    Member of the board of directors of Volvo Cars AB (Sweden); Chairman and CEO of Baja LLC.

- Previous directorships and functions held in the past 5 years:

  Member of the supervisory board of **Schneider Electric SA**, Chairperson of the Compensation committee and member of the board of directors of **Polycom Inc.** (United States), Member of the board of directors of **Chico's FAS Inc.** (United States), of **Wix** (Israel) and of **Ciber** (United States), Chairman and CEO of Clear Standards, Inc. (United States), Chairperson of the Governance committee and member of the board of directors of **Darden** (United States), Chairperson of the advisory board of **SAP**, Member of ZocDoc advisory board.

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.

Ms. Cécile Cabanis*

Age: 46 years
Nationality: french

Business address:
Danone
17 boulevard Haussmann
75009 Paris, France

1,000 Schneider Electric SE shares

First appointed: 2016/Term ends: 2020

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE** and Chairperson of the Audit and risks committee.

  - Other directorships or functions in listed companies:

    Chief financial officer, IS/IT, Cycles and Purchases and member of the Executive Committee of **Danone**, Member of the Supervisory board of **Mediawan** (France).

  - Other directorships or functions:

    Director of Danone CIS Holdings BV, Danone Industria LLC and Danone Russia, Director of Danonewave (Public Benefit Corporation – United Sates), Director of Michel et Augustin SAS (France), Member of the supervisory board of Société éditrice du Monde (France).

- Previous directorships and functions held in the past 5 years:

  Non-voting Board member of **Schneider Electric SE**, Director of Danone Djurdura, Danone Fund for Ecosystem, 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 Internal 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 is Chief Financial Officer and member of the Executive Committee of Danone.

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.*

Mr. Xavier Fontanet*

Age: 69 years
Nationality: french

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

1,000 Schneider Electric SE shares

First appointed: 2011/Term ends: 2018

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE** and Chairman of the Strategy committee.

  - Other directorships in listed companies:

    Director of **L'Oréal**.

  - Other directorships or functions:

    Associate professor at HEC, Member of the board of directors of Rexecode, Member of the board of directors of ANSA (Association Nationale des Sociétés par Actions), Member of the board of the Carrefour Foundation, Member of the board of directors of the *Centre des Professions Financières*.

- Previous directorships and functions held in the past 5 years:

  Director of **Essilor**, Member of the supervisory board of **Schneider Electric SA**, Chairman and CEO of **Essilor International**; Chairperson of the board of directors of **Essilor International**, Director of **Crédit Agricole SA** and of the Fonds stratégique d'Investissement (FSI), Chairperson 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 Chairperson of the board of directors until the beginning of 2012.

Mr. Antoine Gosset-Grainville*

Age: 51 years
Nationality: french

Business address:
BDGS Associés
51, rue François-Ier
75008 Paris, France

1,000 Schneider Electric SE shares

First appointed: 2012/Term ends: 2020

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE** and member of the Audit and risks committee.

  - Other directorships in listed companies:

    Director of the **FNAC** Group, Director and Chairperson 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 5 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.

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*

Mr. Fred Kindle*

Age: 58 years

Nationality: swiss

Business address:
Vaistligasse 1
9490 Vaduz, Liechtenstein

40,000 Schneider Electric SE shares

First appointed: 2016/Term ends: 2020

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE**, member of the Audit and risks committee and member of the Strategy committee.

  - Other directorships or functions in listed companies:

    Vice-Chairman of **Zurich Insurance Group Ltd** (Switzerland), member of the Governance and appointments committee and member of the Remuneration committee, Chairperson of the board of directors of **VZ Holding AG** (Switzerland) and Chairperson of the Compensation committee, Director of Stadler Bussnang AG (Switzerland) and Chairperson of the Strategy committee, Chief Executive Officer of Kinon AG (Switzerland).

- Previous directorships and functions held in the past 5 years:

  Director of **Exova Plc** (United Kingdom) and member of the Appointments committee, Partner of **Clayton Dubilier & Rice LLC** (USA), Chairperson of the board of directors and Chairperson of the Compensation committee of **Exova Group PLC** (United Kingdom), Chairperson of the board of directors of **BCA Marketplace Plc** (United Kingdom), Director of **Rexel SA** (France); Lead Director of **VZ Holding Ltd** (Switzerland), Member of the Development Committee of the Royal Academy of Engineering (London).

Experience and qualifications

Fred Kindle graduated from the Swiss Federal Institute of Technology (ETH) in Zurich and holds an MBA from Northwestern University, Evanston, USA. He began his career in the Marketing Department of Hilti AG in Liechtenstein from 1984 to 1986. From 1988 to 1992, he worked as a consultant at McKinsey & Company in New York and Zurich. He then joined Sulzer AG in Switzerland, where he held various management positions. In 1999, he was appointed Chief Executive Officer of Sulzer Industries and in 2001, he became CEO of Sulzer AG.

After joining ABB Ltd in 2004, Fred Kindle was appointed Chief Executive Officer of the ABB group, a position which he held until 2008. He then became a partner at Clayton, Dubilier & Rice LLP, a private equity fund based in London and New York. He is now an independent consultant and director at several companies.

Mr. Willy R. Kissling

Age: 73 years

Nationality: swiss

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

1,000 Schneider Electric SE shares

First appointed: 2001/Term ends: 2018

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE**, member of the Governance and remunerations committee and member of 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 CEO. From 1987 to 1996, Mr. Willy Kissling served as CEO of Landis&Gyr Corporation, a provider of services, systems and equipment for energy management, building control and payment systems for payphone operators. From 1998 to 2005 he was Executive Chairman of Oerlikon Bührle Holding AG (renamed OC Oerlikon Corp.).

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*

Ms. Linda Knoll*

Age: 57 years
Nationality: american

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**, Chairperson of the Human Resources and CSR committee and member of the Governance and remunerations committee.

  - Other directorships or functions in listed companies:

    Chief Human Resources Officer and member of the Group Executive Council of **CNH Industrial N.V.** (the Netherlands), Chief Human Resources Officer and member of the Group Executive Council of **Fiat Chrysler Automobiles N.V.** (the Netherlands).

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.

Ms. Cathy Kopp*

Age: 68 years
Nationality: french

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

1,024 Schneider Electric SE shares

First appointed: 2006/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, Chairperson of the Compensation committee and of the Governance and appointments committee of SFIL.

- Previous directorships and functions held in the past 5 years:

  Member of the board of the SNCF Foundation, 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 Chairperson 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.

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*

Ms. Xiaoyun Ma

Age: 54 years

Nationality: chinese

Business address:
8F, Schneider Electric Building, No. 6,
East WangJing Rd.
Chaoyang District Beijing 100102 Chine

6,103[(1)] Schneider Electric SE shares

First appointed: 2017/Term ends: 2021

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE** and member of the Human Resources and CSR committee.

  - Other directorships or functions within Schneider Electric Group:

    Chairperson of the board of directors of Schneider Electric Trading (Wuhan) Co., Ltd., Schneider Electric IT (China) Co., Ltd., RAM Electronic Technology and Control (Wuxi) Co., Ltd. (China);

    Vice-Chairman of the board of directors of Schneider Electric (Xiamen) Switchgear Co., Ltd., Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd. (China);

    Director of Full Excel (Hong Kong) Limited (Hong Kong), Director of Schneider Electric (China) Co., Ltd., Tianjin Merlin Gerin Co., Ltd., Schneider Shanghai Power Distribution Electrical Apparatus Co., Ltd., Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd., Schneider Shanghai Industrial Control Co., Ltd., Schneider Busway (Guangzhou) Ltd., Schneider (Beijing) Medium Voltage Co., Ltd., Schneider (Beijing) Medium and Low Voltage Co., Ltd., Schneider Merlin Gerin Low Voltage (Tianjin) Co., Ltd., Schneider (Suzhou) Transformer Co., Ltd., Schneider Shanghai Apparatus Parts Manufacturing Co., Ltd., Schneider Great Wall Engineering (Beijing) Co., Ltd., Schneider Wingoal (Tianjin) Electric Equipment Co., Ltd., Schneider Automation Solutions (Shanghai) Co., Ltd., Schneider (Shaanxi) Baoguang Electric Apparatus Co., Ltd., Clipsal Manufacturing (Huizhou) Co., Ltd., Shanghai Schneider Electric Power Automation Co., Ltd., Schneider Switchgear (Suzhou) Co., Ltd., Telvent Control System China Co. Ltd., Telvent-BBS High & New Tech (Beijing) Co., Ltd., Beijing Leader Harvest Electric Technologies Co., Ltd., Schneider-Electric Equipment and Engineering (Xi'an) Co., Ltd. Schneider Automation & Controls Systems (Shanghai) Co., Ltd., Shanghai Foxboro Co., Ltd., Shanghai Invensys Process Systems Co., Ltd. (China);

    Supervisor of Zircon Investment Shanghai Co., Ltd. (China);

    Executive director of Beijing Leader Harvest Energy Efficiency Investment Co., Ltd (China).

  - Other directorships or functions outside Schneider Electric Group:

    Vice-Chairman of the board of directors of Sunten Electric Equipment Co., Ltd., Director of Ennovation System Control Co., Ltd. (China).

- Previous directorships and functions held in the past 5 years:

  Chairman of Merten (Shanghai) Electric Technology Co. Ltd., Citect Control Systems (Shanghai) Co., Ltd., Beijing Chino Harvest Wind Power Technology Co., Ltd., Director of Pelco (Shanghai) Trading Co., Ltd., Schneider (Suzhou) Drives Co. Ltd, Schneider (Suzhou) Enclosure Systems Co., Ltd., Schneider Electric Manufacturing (Chongqing) Co., Ltd., Schneider Electric Manufacturing (Wuhan) Co., Ltd., Shanghai East Best & Lansheng Smart Technology Co., Ltd. (China).

Experience and qualifications

Graduated from top Chinese universities and holding China Certificate of Public Accountant, Ms. Xiaoyun Ma started her career as a finance professional at an Audit firm (PWC). She joined Schneider Electric in 1997 as the controller of Medium Voltage company in Beijing China. Since then, she has worked in many different controller and CFO positions, covering manufacturing, supply chain and front office, in the China and Asia Pacific zone, while getting a MBA from the New York City university in 2004. She is currently the CFO for Schneider's "GREAT China" zone, in charge of China daily finance operations, organization simplification and internal digital transformation. She has also been a director of about 40 Chinese companies and Asia Pacific entities within the Group in the past 10 years.

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

Mr. Patrick Montier

Age: 61 years
Nationality: french

Business address:
ZAC de la Chantrerie
Route de Gachet, BP 80701
44307 Nantes Cedex 3, France

3,785(1) Schneider Electric SE shares

First appointed: 2017/Term ends: 2021

Directorships and other functions

- Currently:

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

  - Other directorships or functions:
- Previous directorships and functions held in the past 5 years:

  Regional Chairman (Loire) of AFDET association (French Association for Technical Education Development, a non-profit association as per the French Law of 1901), representative of the Central Works Council on the board of directors of Schneider Electric Industries SAS, director of CAPRA Prévoyance.

Experience and qualifications

Graduated from the Institute of Business Administration of the University of Nantes (France), Patrick Montier began his career at Schneider Electric in 1978 as a Business Engineer in the Applications and Systems Department. In 1986, he joined the Pays France organization and contributed to developing business activities in the instrumentation and automation fields and in regional marketing as project manager for launching new offers. In 1999, he was appointed regional executive of the France Training Institute in charge of relations with educational institutions (universities, engineering schools, academies). Since 2010, he has been in charge of partnerships with organizations imparting vocational training. Meanwhile, in 2003 he joined the trade union Force Ouvrière and was its Group deputy coordinator from 2010 until the end of January 2017. In September 2017, he was designated as director representing the employees of Schneider Electric SE.

Mr. Gregory Spierkel*

Age: 60 years
Nationality: canadian

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

1,000 Schneider Electric SE shares

First appointed: 2015/Term ends: 2019

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE**, member of the Governance and remunerations committee and member of the Strategy committee.

  - Other directorships or functions in listed companies:

    Director of **MGM Resorts International**, Chairperson of the Audit committee and member of the Governance committee; Director of **PACCAR Inc.**, Chairperson of the Compensation committee and member of the Audit Committee.
  - Other directorships or functions:

    Member of McLaren Advisory Group (McLaren Technology Group), Member of advisory council to the Chancellor of University of California, Irvine; Advisor to 2 software start-ups and 1 cyber security company.
- Previous directorships and functions held in the past 5 years:

  Non-voting director of **Schneider Electric SE**.

Experience and qualifications

Mr. Spierkel holds a Bachelor's degree in Commerce 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 4 years, he served as Managing Director of Mitel Telecom with responsibilities over Europe and Asia. He then spent 5 years at Mitel Corp., where he served as President of North America and President of Global Sales and Marketing. In August 1997, he joined Ingram Micro as a Senior Vice-President Asia-Pacific. In June 1999, he was appointed 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 President of the Ingram Micro Inc. group in 2004, before assuming the role of 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.

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

Non-voting director

Mr. Henri Lachmann

Age: 79 years
Nationality: french

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

44,624[(1)] Schneider Electric SE shares

First appointed: 1996/Term ends: 2018

Directorships and other functions

- Currently:

  Non-voting director of **Schneider Electric SE** and member of the Human Resources and CSR committee.

  - Other directorships or functions in listed companies:

    Member of the supervisory board of the **XPO Logistics** group, Director of **Carmat**, Non-voting member of **Fimalac**.

  - Other directorships or functions:

    Chairperson of the board of directors of Marie Lannelongue Hospital, Member of the Steering committee of the Institut de l'entreprise, Director of the Association nationale des sociétés par actions, Chairperson of the Institut Telémaque, Director of Planet Finance and Fondation Entreprendre.

- Previous directorships and functions held in the past 5 years:

  Chairperson of the Advisory Council of Campus d'Excellence au Commissariat général à l'investissement (*Grand emprunt*), Honorary Vice-Chairman of the supervisory board of **Vivendi**, Director of **Schneider Electric SE**, Vice-chairman lead director of **Schneider Electric SA**, Chairperson of the supervisory board of **Schneider Electric SA**, Vice-Chairman of the supervisory board of **Vivendi**, Chairperson 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 Chairperson 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.

Honorary Chairman

Didier Pineau-Valencienne

Note: bold indicates the names of companies whose securities are listed on a regulated market.
(1) Held directly or through the FCPE.
** An independent director within the meaning of the AFEP/MEDEF Corporate Governance Code.*

Independent directors

Directors	Year first term began*	Year current term expires	Independent under AFEP/MEDEF criteria
Mr. Jean Pascal Tricoire *Chairman*	2013	2021	NO (performing executive duties at the head of the Group)
Mr. Léo Apotheker *Vice-chairman independent lead director*	2007	2020	YES
Ms. Betsy Atkins	2011	2019	YES
Ms. Cécile Cabanis	2015	2020	YES
Mr. Xavier Fontanet	2011	2018	YES
Mr. Antoine Gosset-Grainville	2012	2020	YES
Mr. Fred Kindle	2016	2020	YES
Mr. Willy Kissling	2001	2018	NO (board member for more than 12 years)
Ms. Linda Knoll	2014	2018	YES
Ms. Cathy Kopp	2005	2018	YES
Ms. Xiaoyun Ma	2017	2021	NO (bound by an employment contract with the company)
Mr. Patrick Montier	2017	2021	NO (bound by an employment contract with the company)
Mr. Gregory Spierkel	2014	2019	YES

* *As director or non-voting member.*

Each year, as provided under the 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 to 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 in no way likely to be brought to the attention of 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 doubt insignificant for each party, in particular with regard to the respective size of the groups concerned.

The directors have no business relations with Schneider Electric other than those approved under the regime of the regulated agreements, if any.

As of December 31, 2017, there are 13 directors, 9 of whom are independent according to the definition contained in the AFEP/MEDEF Corporate Governance Code. These are Mr. Léo Apotheker, Ms. Betsy Atkins, Ms. Cécile Cabanis, Mr. Xavier Fontanet, Mr. Antoine Gosset-Grainville, Mr. Fred Kindle, Ms. Linda Knoll, Ms. Cathy Kopp and Mr. Gregory Spierkel.

Mr. Jean-Pascal Tricoire, as Chief Executive Officer, Ms. Xiaoyun Ma, as employee shareholder representative, Mr. Patrick Montier as employee representative, and Willy Kissling, 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 Code recommends that there be, in non-controlled companies, at least 50% independent directors on the board. Directors representing employee shareholders and directors representing employees are not computed in calculating this percentage. The proportion of independent directors of the Company, excluding Xiaoyun Ma, who represents employee shareholders, and Patrick Montier, who represents employees, is therefore 82%.

Diversity policy within the board of directors

The board of directors pays due attention to its composition and that of its committees. It relies on the works of the Governance and remunerations committees which reviews regularly and proposes as often as required the relevant changes to the composition of the board of directors and its committees, depending on the Group's strategy.

In that respect, in pursuance of its internal regulations, the board of directors ensures through its proposals and its decisions 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;
- it protects the independence of the board through the competence, availability and courage of its members;
- it pursues its objective of diversifying the board of directors in compliance with the legal principle of attaining balanced representation between men and women on the board;
- it appoints persons with the expertise required for developing and implementing the Group strategy;
- employee shareholders and employees shall continue to be represented on the board in compliance with the provisions set forth in Articles 11.3 and 11.4 of the articles of association;
- 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.

Out of 13 directors:

- 6 have financial or accounting skills,
- 7 have an industrial expertise,
- 4 have digital skills,
- 5 have a deep knowledge of the US market,
- 3 have a deep knowledge of the Asian market.

One director, Xiaoyun Ma, represents employee shareholders in accordance with the provisions of article L.225-23 of the French Commercial Code. She was appointed at the Annual Shareholders' Meeting upon the recommendation of the supervisory boards of the FCPEs.

One director, Patrick Montier, represents employees in accordance with the provisions of article L.225-27-1 of the French Commercial Code. He was appointed by the most representative trade union organization at the Group level in pursuance of article 11.4 of the articles of association.

Seven directors, or 54% of the directors, are of non-French origin or nationality (German: Mr. Apotheker, who also has French nationality; US: Ms. Atkins and Ms. Knoll; Canadian: Mr. Spierkel; Chinese: Ms. Ma, Swiss: Mr. Kindle and Mr. Kissling).

As of December 31, 2017, out of 12 directors (directors representing employees are excluded as per the AFEP/MEDEF Corporate Governance Code), 5 are women or 42%. In addition, out of 4 committees, 2 are chaired by a woman: the Audit and risks committee (Ms. Cécile Cabanis) and the Human Resources and CSR committee (Ms. Linda Knoll).

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

4 directors' terms are expiring following the Annual Shareholders' Meeting of April 24, 2018, namely those of Messrs. Xavier Fontanet and Willy Kissling and Ms. Linda Knoll and Ms.Cathy Kopp.

The board of directors of February 14, 2018 took note of the decision of Mr. Xavier Fontanet and Ms. Cathy Kopp not to present themselves as candidates for the renewal of their terms.

The board of directors unanimously decided to propose at the Annual Shareholders' Meeting of April 24, 2018:

- the renewal of Mr. Willy Kissling for a 2-year term and Ms. Linda Knoll for a 4-year term; and
- the appointment of Ms. Fleur Pellerin and Mr. Anders Runevad. In that respect, should the Shareholders' Meeting approve these proposals:

  (i) Ms. Fleur Pellerin will be appointed for a 4 year term. She will be qualified as an independent director. Ms. Pellerin, 44 years old, a French citizen, was a magistrate at the Court of Auditors for 13 years before her appointment as a Minister by the government from 2012 to 2016. After she resigned from public service, in September 2016 she launched the investment fund Korelya Capital with EUR200 million in funding, supporting investments of technology start-ups in France and in Europe. She will bring to the board her economic and financial skills in the field of technologies, her business experience and her knowledge in the French and Asian business circles.

  (ii) Mr. Anders Runevad will be appointed for a 4 year term. He will be qualified as an independent director. Mr. Runevad, 57 years old, a Swedish citizen, has been Chief Executive Officer of Vestas Wind Systems A/S since 2013. He previously held various positions within Ericsson Group, in Europe, USA, Brazil and Singapore. He will bring to the board his experience in companies' growth and turnaround strategies, a deep knowledge of the new energy landscape, and Schneider Electric's business and its business environment in Europe, in the US, as well as in new economies.

The renewed board would comprise:

- 13 members;
- 82% independent directors (excluding consideration of the director representing employee shareholders and the director representing employees, in accordance with the recommendations of the AFEP/MEDEF Corporate Governance Code);
- the percentage of women will remain 42% should Ms. Linda Knoll be reelected and Ms. Fleur Pellerin appointed; and
- a strong proportion of directors of non-French origin (61.5%) reflecting the international nature of the Group.

13

Directors

57,5 years

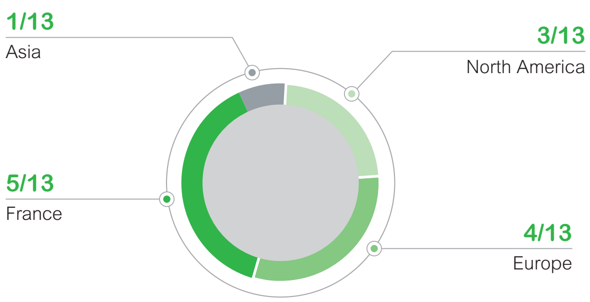
Average age of directors

2

Employee directors

9 (82%)

Independent directors



Board members spread across all geographies

42%

Women and directors[1]

- 8 having accounting / financial skills
- 7 having industrial expertise
- 5 having digital expertise
- 5 having deep knowledge of NAM market
- 4 having deep knowledge of Asian market

Excl. CEO

(1) The employees' representative is not counted for the purpose of the ratio calculation.

2. Organizational and operating procedures of the board of directors

2.1 Governance structure

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 Mr. Jean-Pascal Tricoire, who was appointed Chairman and Chief Executive Officer on April 25, 2013 and renewed on April 25, 2017.

The performance by Mr. Tricoire of the duties of Chairman and Chief Executive Officer seems particularly appropriate to the board of directors taking into account:

- the composition of the board, which comprises more than 80% independent directors within the meaning of the AFEP/MEDEF Code;
- the economic environment, which requires responsiveness through leadership and clarity in designating 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;
- mechanisms provided for by the articles of association and internal regulations to ensure accurate information and effective mode of operation of the board of directors, in particular the appointment of a Vice-chairman independent lead director, the principle of proposing an executive session at each meeting of the board chaired by the Vice-chairman independent lead director, and the creation of 4 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 25, 2017, simultaneously with the renewal of Mr. Jean-Pascal Tricoire's term as director, the board of directors deliberated and concluded that the unification of the functions of Chairman and Chief Executive Officer is a governance structure that particularly fits the personality of the CEO and the Group's governance, which has been confirmed by the external assessment of fall 2017, and further decided to unify the functions of Chairman and CEO, in accordance with article 1 of its internal regulations, which provides that the choice between the 2 methods of exercising general management is made when renewing the term of office of the Chairman of the board of directors or the CEO. This decision is subject to deliberation of the board of directors each year thereafter.

2.2 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 set their compensation and the benefits granted to them;
- co-opt directors whenever necessary;
- call Annual Shareholders' Meetings 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;
- draw up the corporate governance report 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 1 and 3 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 Annual Shareholders' Meeting.

2.3 Internal regulations and procedures of the board of directors

On April 25, 2013, the board of directors adopted its own internal regulations. These were modified later on:

- February 15, 2017 to comply with the new AFEP/MEDEF Code published in November 2016, to update the duties of the members of the board relating to the notification of transactions conducted by persons closely associated with them as defined by European Regulation No. 596/2014 of April 16, 2014 on market abuse (Market Abuse Regulation) and to redefine the mission of the Strategy Committee in accordance with the decision of the board of December 15, 2016;
- July 26, 2017 to add governance best practices relating to rotation of chairmanship of committees;
- August 31, 2017 to insert the rules of composition and mode of operation of the Digital committee;
- October 25, 2017 in particular to clarify the attendance of the employee directors to executive sessions of the board of directors; and
- February 14, 2018 to convert the Strategy Committee into an Investment committee, to review the missions of the committees and to make it systematic to hold an executive session at the end of each meeting of the board of directors; these modifications were made to implement the action plan adopted by the board in pursuance of its self-assessment (*cf.* page 170).

These internal regulations include the rules of procedure of the board committees (the Audit and risks committee, the Governance and remunerations committee, the Human Resources and CSR committee and the Strategy Committee), and the directors' charter as recommended by the AFEP/MEDEF Corporate Governance Code. The regulations are reproduced on pages 357 to 363 of this Registration Document. They are published on the Company's website, www.schneider-electric.com. They comprise 14 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/she 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 and remunerations committee which, starting from the evaluation of the functioning of the board and that of the CEO, proposes each year to the board to the continuation or separation of the unified functions of Chairman and Chief Executive Officer and, as needed, makes 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 or which may be reported to him/her;
- reports on his/her activities during the Annual Shareholders' Meeting.

The charter for the Vice-chairman independent lead director is found on pages 363-364. The report of tasks he/she carried out in 2017 in line with his/her functions is found on page 356.

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 reappointment 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 6 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;
- have a permanent duty to ensure that their personal situation shall not give rise to a conflict of interest with the Company; the member of the board of directors having a conflict of interest, even a potential one, shall not take part to the discussions nor

to the vote of the corresponding decision and may be invited to leave the meeting of the board of directors when the decision is debated;

- may not hold more than 4 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 13 apply to the committees. The content of these articles is provided in the section on committees below.

Article 14 defines the scope of the internal regulations of the board of directors.

2.4 Information of the board of directors and its members

To ensure that the board of directors is well informed at all times, Schneider Electric SE applies the following rules: members of the board have access, via a secure dedicated platform, in principle 10 days before every board meeting, to the agenda for the meeting and to the draft minutes of the last meeting and, 4 to 5 days before, to the board's file. 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 continuous information through periodic information letters, drafted exclusively for their attention, which keep them informed of developments in the Group, 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 board meetings.

Board of directors, dinners are also organized in order to offer more opportunities to interact with investors, customers, distributors, *etc.* These dinners are meant to provide the board members with external views on the Group, to increase their understanding of the changes in its business environment and to gain more insight on the needs and motivations of all stakeholders.

For new directors, training and information programs may be organized on the Group's strategy and businesses. They are designed on a case to 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 that are particularly illustrative of Schneider Electric's activities.

During the Strategy Session of 2017, which took place in Mainland China and Hong Kong, external visits and interviews with the major players of the digital transformation – who are sometimes also partners of the Group - were organized for directors, who also visited the R&D Center of Schneider Electric in Shanghai.

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 4 months, *etc.*). In addition, in accordance with the AFEP/MEDEF Corporate Governance Code, 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 211). These restrictions supplement the prohibition against hedging unvested stock options and performance shares during their vesting period.

The code of insider ethics was updated in 2016 to conform to the new prescriptions of the European Regulation No. 596/2014 of April 16, 2014 on market abuse "Market Abuse Regulation" in order to prevent insider trading and market abuse practices.

2.5 Self-assessment of the board of directors

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 interview with the board member. The evaluation is conducted under the leadership of the Vice-chairman independent lead director by the secretary of the board of directors.

In addition, as per the AFEP/MEDEF Corporate Governance Code providing that the board of directors shall undertake at least once every 3 years a formal self-assessment, which may be conducted with the assistance of an external consultant, the board of directors decided on December 15, 2016 to carry out a formal self-assessment under the Governance and remunerations committee's supervision with the assistance of an independent consultancy firm selected pursuant to a tender process.

The self-assessment consisted in thorough individual interviews with each director. They were led in October and November 2017 on the basis of a detailed questionnaire covering the governance in all its dimensions: methods of exercising general management, composition of the board, efficiency of the mode of operation of the board and its committees, relationships with the general management, shareholders and stakeholders. The assessment also covered the individual contribution of the members of the board. The external consultant reported the conclusions of this assessment to the Governance and remunerations committee on December 13, 2017 and on December 14, 2017 to the board of directors.

The conclusion of the self-assessment was a unanimous very positive opinion on the composition and the mode of operation of the board of directors and its committees. Consistent with the conclusions of the previous formal self-assessment carried out in 2015, directors highlighted the robustness of governance thanks to a management that is "open and transparent", a Vice-chairman independent lead director committed in its liaison role between the Chairman and the directors, and a board of directors that is dedicated and efficient, the combination ensuring a very satisfactory balance of powers.

The mutual trust between the board and the management and the quality of the Strategy Session were also highlighted.

The external assessment report concludes:

"The board of Schneider Electric is an efficient board with a well-balanced governance, supported by a diverse composition, productive and engaged committees and an open and transparent management. When benchmarked to board best practices, it ranks at the top".

Without prejudice to the general conclusions, this formal assessment confirmed the importance of the continuity of the "refreshment" plan, which aims at reinforcing skills in the field of new technologies and the knowledge of Asian market. The presence at the board of a French personality with an international stature is also requested. The 2 new candidates presented on page 165 meet these needs.

This formal assessment suggested other improvements and was duly followed by the approval by the board of directions of the following action plan:

- committees: to clarify the missions of the committees and convert the Strategy committee into an Investment committee;
- new directors: to formalize a complete on-boarding program;
- executive sessions: to open an executive session systematically at the end of each board meeting;
- succession plan: to add to the agenda of executive sessions the question of the succession plan twice or 3 times a year;
- agenda: to extend certain meetings of the Board to a full day;
- documentation: to insert an executive summary along with the work support documentation made available to the directors before the meeting.

The internal regulations of the board of directors have been modified to take into account the above listed proposals and the schedule of the Board meetings for 2018 reviewed accordingly. The follow-up of the action plan will be made during the self-assessment to be conducted in 2018.

3. Board activities

The board of directors devoted most of its activities to 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.

Attendance

The board held 8 meetings in 2017. The meetings lasted 6 hours on average with an average participation rate of directors of:

90

Four directors have an attendance rate of **100%** et none have an attendance rate less than **75%**.

The average participation rate at the committees' meetings is detailed hereafter.

3.1 Corporate governance

The board of directors, depending on the subject, upon the report of the Governance and remunerations committee, the Human Resources and CSR committee or the Audit and risks 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 proposed to the Annual Shareholders' Meeting of April 25, 2017, which approved it, to renew Jean-Pascal Tricoire's term which was due to expire, in order for him to pursue the implementation of the strategy defined by the board of directors in his capacity as Chairman and Chief Executive Officer. The office of Mr. Babeau as Deputy CEO was also renewed.

  It also pursued the "refreshment" of its composition, and with the reaffirmed objectives of increasing the proportion of international and women members and of carrying on the rejuvenation process, it proposed to the Annual Shareholders' Meeting to vote in favor of Ms. Xiaoyun Ma as director representing the employee shareholders to take over from Ms. Magali Herbaut, whose term was due to expire and who did not wish to be renewed. Ms. Xiaoyun Ma was appointed director representing the employee shareholders on April 25, 2017.

  It further proposed to the Annual Shareholders' Meeting to amend the articles of association to insert the legal provisions relating to the director representing employees. In pursuance of these new statutory provisions approved by the Annual Shareholders' Meeting of April 25, 2017, Mr. Patrick Montier was designated as director representing the employees by the most representative trade union at the Group level in September 2017.

  The board of directors also deliberated on the composition of its committees. In this respect, it appointed Ms. Cécile Cabanis as Chair of the Audit and risks committee in replacement of Mr. Gérard de la Martinière whose term as director expired at the end of the 2017 Annual Shareholders' Meeting and who did not wish to be renewed, and Ms. Xiaoyun Ma as member of the Human Resources and CRS committee, in compliance with the requirements of the AFEP/MEDEF Corporate Governance Code of listed companies recommending that an employee director sits on the Remuneration committee.
- discussed whether to maintain the unification of the functions of Chairman and CEO (see above p. 167);
- examined the succession plan for corporate officers at one of its "executive sessions";
- deliberated on its formal self-assessment at its meeting of December 14, 2017, and approved an action plan;
- finalized the study of the fairness and efficiency of the methodology applied by the board of directors for the setting of the compensation of the corporate officers. The findings of the study were presented in chapter 8 section 1 of the 2016 Registration Document;
- discussed and reviewed the principles and criteria relating to the compensation of the corporate officers and approved the compensation and benefits of all types that may be or had been granted;
- was informed of the meetings with major shareholders conducted by the Vice-chairman independent lead director on governance topics;
- 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 2017 long-term incentive plan. It accordingly reviewed the performance conditions (see p. 194), drew up a list of beneficiaries (which includes the corporate officers) and set the terms of individual awards;
- checked and recorded the calculation of the level of achievement of performance conditions applicable to Performance Share plans 21, 21 *bis*, 22 and 22 *bis*;

- decided on capital increases reserved for employees (see p. 327);
- approved the Chairman's report on the composition of the board and the application of the principle of balanced representation of women and men at the board, the conditions applicable for the preparation and organization of the work carried out by the board, as well as the internal control and risk management procedures implemented by the Company;
- examined the regulated agreements and commitments and reviewed those related to the status of its Chairman and CEO and its Deputy CEO;
- adopted the amended status of its Chairman and CEO and its Deputy CEO.

In 2017, the board of directors held three "executive sessions" during which the members of the board of directors discussed the unification of the functions of Chairman and Chief Executive Officer, the management's organization, the strategic options and the succession plan for corporate officers.

In addition, when the board discussed and determined the compensation of the Chairman and CEO and the Deputy CEO, the interested parties were not present.

3.2 Strategy

The board of directors conducted a thorough review of the Group strategy, like every year, as part of a several day long meeting named "Strategy Session" specifically dedicated to the topic.

During this Strategy Session held in the Mainland China and Hong Kong in August 2017, the directors visited several sites representative of the digital transformation and interacted with major players in this field. Members of the board of directors were also able to share individually with each Executive Committee member and a certain numbers of Business managers, functional and operational managers representing all activities and geographies of the Group.

Concerning the recurrent activity of the Strategy Committee, the board of directors examined and approved the growth strategy plan proposed by the senior management. Moreover, it heard the reports of the Chairman of the Strategy Committee on the work of this committee and was kept informed about moves and changes concerning competitors of Schneider Electric.

3.3 Activities and results

The board took note of the Group's 2017 objectives.

It read the quarterly business reports prepared by the senior management. At each meeting, the board was also informed of the business situation.

On February 15, 2017, the board of directors reviewed and approved the 2016 financial statements based on the Audit and risks committee's report and the report of 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 EUR2.04 per share. Similarly, on July 26, 2017, it reviewed and approved the financial statements for the first half of 2017.

Several meetings were dedicated to ASCO Power Technologies acquisition and the combination of AVEVA and Schneider Electric industrial software business during which the board assessed the strategic interest of the operation, made recommendations to the management and reviewed the proposed financial and legal terms and conditions.

Based on the Audit and risks committee's report, the board of directors was informed about the changes in risk mapping and also on the works of the Group's Internal Audit and Internal Control teams. The Audit and risks committee also reported to the board on its other duties, which were also a topic for discussion, in relation to risk management monitoring (coverage of risks by insurance, supplier risks).

It reviewed the conclusions reached by the Audit and risks committee on its analysis carried out particularly in relation to:

- the "Tailored Supply Chain" initiative and the related risks;
- the status of Samara Electroshield integration;
- the protection of intellectual property;
- the evolution of the "Compliance" function and review of the summary report on the fraud cases;
- the implementation of the new commercial policy in France;
- the review of main environmental risks and update on mitigation measures and actions;
- the update on policies and processes aiming at preventing risks concerning quality;
- the anticipation of new regulations and description of associated risks concerning General Data Protection Regulation/Data Privacy;
- Energy Rebound initiative status report including a review on the progress of the transformation of the "Solutions Execution centers" set up.

The board of directors also monitored the implementation of the share buyback and reviewed the debt status.

3.4 Annual Shareholders' Meeting

The board approved the agenda and draft resolutions of the 2017 annual shareholders' meeting, and its report to the shareholders at the meeting. It took note of the proxy-advisors' reports. It was informed of the positions 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 (11/13). It approved all resolutions supported by the management, including those relating to the composition of the board of directors (including the re-election of Jean-Pascal Tricoire as director), the compensation of the corporate officers and the renewal of financial authorizations.

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

In its internal regulations, the board defined the functions, missions and resources of its 4 study committees: the Audit and risks committee, the Governance and remunerations committee, the Human Resources and CSR committee and the Strategy Committee. The board of directors also decided on August 31, 2017 to set-up a digital committee whose rules of composition and mode of operation are specified in the internal regulations of the board. Its members will be appointed at the end of the Annual Shareholders' Meeting of April 24, 2018.

Committee members are appointed by the board of directors on the proposal of the Governance and remunerations 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 researches from external 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 draft the minutes of the meetings of the committees which, after their 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 matters of each committee.

4.1 Audit and risks committee

The members, operating procedures and responsibilities of the Audit and risks committee are compliant with the recommendations included in the Audit committee final report as updated by the AMF in July 2010.

Composition in 2017

The internal regulations and procedures of the board of directors stipulate that the Audit and risks committee must have at least 3 members. Two-thirds of the members must be independent and at least 1 must have in-depth knowledge of accounting standards combined with hands-on experience in applying current accounting standards and producing financial statements.

The Audit and risks committee comprises of 3 members: Ms. Cécile Cabanis, (chairperson since April 25, 2017, succeeding Mr. Gérard de La Martinière whose term expired on April 25, 2017), Messrs. Antoine Gosset-Grainville and Fred Kindle. All the members of the Audit and risks committee are independent. As demonstrated by their career records, summarized on page 156 *et seq.* the Audit committee members all have recognized expertise in finance, economics and accounting. In addition to their financial and accounting skills, Ms. Cécile Cabanis also brings her extensive perfect knowledge of the challenges of a major French group in the CAC 40, Mr. Antoine Gosset-Grainville his knowledge in macro-economy and legal expertise and Mr. Fred Kindle an in-depth knowledge of the market and sectors on which Schneider Electric operates.

As of December 31, 2017, 100% of the Audit and risks 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 5 meetings are held during the year.

The committee may invite any person it wishes to hear to its meetings. The statutory auditors attend meetings at which financial statements are reviewed and, depending on the agenda, all or some of the other meetings. It may also require the CEO to provide any documents it deems to be useful. It may also commission studies from external consultants.

The Deputy CEO in charge of Finance and Legal Affairs is the spokesperson for the Audit and risks committee.

The director of Internal Audit is the secretary of the Audit and risks committee.

Responsibilities

A cornerstone of the Group's internal control system, the Audit and risks 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 takes note of information relating to internal control and, if any, any comments by the AMF in this regard, as well as of the reports on the interim financial statements and other main financial documents;
- makes recommendations concerning the appointment or reappointment 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 are not strictly included in the scope of the statutory audit;
- 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 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;
- 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 risks committee examines proposals for distribution as well as the amount of financial authorizations submitted for approval at Annual Shareholders' Meetings.

The Audit and risks committee reviews all financial and accounting issues and those related to risk-management submitted to it by the board of directors.

The Audit and risks 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 2017

In 2017, the Audit committee met 5 times. The average duration of the meetings was 3 hours 15 minutes and the average attendance rate was 100%.

Each meeting was fully or partially attended by the Deputy CEO in charge of Finance, members of the Finance Department, the head of Internal Audit as well as 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 risk mapping,
  - review of the 2018/Q1 2019 Internal Audit schedule drawn up after the risk mapping review,
  - monitoring the Internal Audit road map realization related to 2017/Q1 2018, and review of main audits' outcome,
  - review of the activities of Internal Control, particularly the results of assessments/self-assessments,
  - review of risks covered by insurance,
  - deployment of the Tailored Supply Chain initiative and related risks,
  - update on Samara Electroshield integration,
  - intellectual property protection,
  - evolution of the "Compliance" function and review of the summary report on the fraud cases
  - implementation of the new commercial policy in France,
  - review of main environmental risks and update on mitigation measures and actions
  - update on policies and processes aiming at preventing risks relating to quality
  - General Data Protection Regulation/Data Privacy: anticipation of new regulations and description of associated risks,
  - update on Finance Simplification initiative progress and associated risk,
  - Energy Rebound initiative status report including a review on the progress of the "Solutions Execution" set up transformation;
  - 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;
4) corporate governance:
  - recommended dividend for 2017,
  - review of the financial authorizations, whose renewal was approved by the Annual Shareholders' Meeting of April 25, 2017.

The Audit committee reported on its work in 2017 to the board's meetings of February 15, July 26, October 25, and December 14, 2017.

4.2 Governance and remunerations committee

Composition in 2017

The board of directors' internal regulations and procedures provide that the Governance and remunerations committee must have at least 3 members. It is chaired by the Vice-chairman independent lead director.

This committee is composed of 4 members: Mr. Léo Apotheker, Chairman, Mr. Willy Kissling, Ms. Linda Knoll and Mr. Gregory Spierkel.

As of December 31, 2017, the Governance and remunerations committee, chaired by an independent director, comprised of 75% 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 3 times a year.

The committee may seek advice from any person it feels will help it with its work.

The secretary of 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) within the board of directors as:
- director or non-voting member,
- Chairman of the board of directors, Vice-Chairman, or Vice-chairman independent lead director,
- Chairman or committee member;

(ii) at the Company's Senior Management. Particularly, the committee 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 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 application by the Company 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;
- the 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 benefits of all types granted to them. In this respect, it shall prepare annual assessments of the persons concerned.

Activities in 2017

The committee, which met 6 times in 2017, 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 exercising mode of the functions of Chairman and CEO;
- the compensation of corporate officers (amount and structure of 2017 compensation, 2017 objectives and level of achievement of 2016 objectives) and the allocation to the above of performance shares as part of the long-term incentive plan;
- the presentation of "Say on Pay" 2016 and the principles and criteria of compensation of corporate officers for 2017 to the Annual Shareholders' Meeting;
- the review of the amounts and allocation rules of the attendance fees;
- the on-boarding program for new directors;
- the amendment of the internal regulations of the board of directors.

Further, the committee reported to the board on its review of the succession plan for corporate officers.

The committee also reported to the board on its work concerning in particular:

- the protection of capital;
- the draft report of the Chairman of the board of directors on corporate governance;
- the review of the regulated agreements and commitments.

In addition, the committee initiated and monitored the formal self-assessment of the board of directors assisted by an external consultant and, on the basis of the summary report presented to it following this self-assessment, identified points for further improvements and defined an action plan for approval by the board.

The committee also reported on the Vice-chairman independent lead director's meetings with governance analysists within the main shareholders: 24 physical or phone appointments covering about 40% of the share capital. These meetings reflect the importance given by the company to the dialogue and direct commitment of directors towards shareholders.

The committee met 6 times in 2017. The attendance rate of directors who are members of the committee was 96%. It reported on its work at the board's meetings of February 15, April 25, October 25 and December 14, 2017.

4.3 Human Resources and CSR committee

Composition in 2017

The internal regulations and procedures of the board of directors stipulate that the Human Resources and CSR committee must have at least 3 members.

This committee is composed of 5 members: Ms. Linda Knoll, Chairperson, Mr. Willy Kissling, Ms. Cathy Kopp, Ms. Xiaoyun Ma (since April 25, 2017), and Mr. Henri Lachmann.

As of December 31, 2017, 67% of the Human Resources and CSR committee consists of independent directors (employee director and non-voting member excluded as per the AFEP/MEDEF Corporate Governance Code).

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 3 times a year.

The committee may seek advice from any person it feels will help it with its work.

The Group Human Resources Director, Mr. Olivier Blum is the secretary of the committee.

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 all of the eligible corporate officers, included executive 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 2017

The committee met 3 times in 2017. The attendance rate of directors who are members of the committee was 93%. It drew up proposals for the board of directors on:

- the 2017 annual long-term incentive plan and the implementation of an annual performance share plan for the newcomers;
- the 2018 long-term incentive plan;
- the launch in 2018 of a new Group employee share issue (Wesop 2018).

The committee also reported to the board on:

- the review of the compensation, performance and succession plans of Executive Committee members;
- the review of the Talent attracting and retaining policy;
- the review of gender diversity and pay equity policy;
- the CSR performance including the new Planet & Society Barometer.

It reported on its work to the board's meetings of February 15, October 25 and December 14, 2017.

4.4 Strategy Committee

Composition in 2017

The internal regulations and procedures of the board of directors provide that the Strategy Committee must have at least 3 members.

This committee is composed of 6 members: Messrs. Xavier Fontanet, Chairperson, and Léo Apotheker, Ms. Betsy Atkins, and Messrs. Fred Kindle, Patrick Montier and Gregory Spierkel.

As of December 31, 2017, the Strategy Committee included 83% independent directors (director representing employees excluded as per the AFEP/MEDEF Corporate Governance Code).

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 3 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, Mr. Emmanuel Jean Lagarrigue, is the secretary of the committee.

Responsibilities

The committee will prepare the board of directors' deliberations on strategic matters. For this purpose:

- it shall give its opinion to the board of directors on the major acquisition, joint-venture and disposal projects that are presented to the board for authorization;
- it shall study in detail certain strategic matters on behalf of the board;
- it shall give the board its view and understanding of major trends that are relevant to Group business activities.

Activities in 2017

The committee met 4 times in 2017. The committee devoted its work mainly to:

- the preparation of board of directors' Strategy Session which were convened in August in China;
- the determination of the subject matters related to organic growth;
- the critical review of Group external growth projects and their alignment with the strategic priorities defined by the board.

The attendance rate of members of the committee was 85%. It reported on its work to the board's meetings of February 15, July 26 and October 25 and during the Strategy Session.

5. Senior Management

The Senior Management of Schneider Electric SE consists of the Chairman and Chief Executive Officer and a Deputy Chief Executive Officer. The operational organization of the Senior Management of the Group is supported by the Executive Committee, which is chaired by the Chairman and Chief Executive Officer.

The Chairman and Chief Executive Officer

On April 25, 2017, at the occasion of the reelection of Mr. Jean-Pascal Tricoire as director by the Annual Shareholders' Meeting, the board of directors decided to unify the functions of Chairman and Chief Executive Officer, for the reasons explained on page 167 and to appoint Jean-Pascal Tricoire as Chairman and Chief Executive Officer. As per its internal regulations, the board of directors shall thus deliberate annually on this choice.

The Chairman and Chief Executive Officer 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 provide that the Chairman and Chief Executive Officer 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 Chief Executive Officer

On April 25, 2017, upon the proposal of Mr. Jean-Pascal Tricoire, the board of directors appointed Emmanuel Babeau as Deputy CEO in charge of Finance and Legal Affairs.

Emmanuel Babeau

Age: 50 years

Nationality: french

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

76,326[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, AO Schneider Electric, Schneider Electric USA, Inc., 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 at the supervisory board of Schneider Electric Energy Access, Member of the management board of Schneider Electric Services International Sprl, Member of the supervisory board of Aster Capital Partners, Shareholder and manager of SCI GETIJ.

- Previous directorships and functions held in the past 5 years:

  Member of the management board of **Schneider Electric SA**, Director of Telvent GIT SA, Chairperson of the management board of Schneider Electric Services International Sprl, Member of the Steering Committee of Aster Capital Partners.

Experience and qualifications

Emmanuel Babeau graduated from ESCP and began his career at Arthur Andersen in late 1990. In 1993, he joined the Pernod Ricard group as an internal auditor. He was appointed head of Internal Audit, the Corporate Treasury Center and Consolidation in 1996. 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. In 2013, he was appointed Deputy CEO in charge of Finance and Legal Affairs, and was renewed in this position on April 25, 2017.

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 directly hold 0.08% of the share capital and 0.1% of the voting rights.

Jean-Pascal Tricoire is Chairperson of the board of directors of Schneider Electric Industries SAS, Chairperson of the board of directors of Schneider Electric Holdings Inc. and Chairperson of the board of directors of Schneider Electric Asia Pacific. He receives compensation from these 2 companies for the last 2 functions.

Emmanuel Babeau is CEO of Invensys Ltd, a position for which he receives compensation.

Xiaoyun Ma has an employment contract with Schneider Electric (China) Co., Ltd.

Patrick Montier has an employment contract with Schneider Electric France.

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 of December 15, 2016 has provided that the Vice-chairman independent lead director shall receive the annual sum of EUR250,000, excluding tax and expenses reimbursed at actuals, 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 entered into with Mr. Léo Apotheker and approved by the 2017 Annual Shareholders' Meeting, expired on April 25, 2017. In accordance with prevalent market practice and as previously announced (*cf.* 2016 Registration Document page 336), these fees are, since the 2017 Annual Shareholders' Meeting, paid in the form of a special attendance fees and counted within the limits of the shareholders' authorization (currently EUR2,000,000).

6.2 Absence of conviction or incrimination of corporate officers

To the best of the Company's knowledge, in the last 5 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 328 *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 compensation policy (Corporate Officers and members of the Executive Committee)

7.1.1 Executive compensation governance

Schneider Electric Group ("Schneider Electric" or "Group") follows a rigorous process for determining executive compensation. The general principles underlying compensation policy for corporate officers and their individual analyses are reviewed by the Governance and remunerations committee (the "Committee"), which makes proposals to the board of directors. The board is also informed regarding the compensation policy applying to other members of the Group Senior Management (namely, the other members of the Executive Committee, see section 7.5), through the report to the board of by Human Resources and CSR committee. To help the board in the decision process the Governance and remunerations committee as well as the Human Resources and CSR committee are entitled to call upon external experts for specific missions and analyses.

More than 75% of the board is composed of independent directors as defined by the AFEP/MEDEF Code who contribute a breadth of expertise that is varied and specialized; 75% of the Committee is composed of independent directors, including its Chairman.

Besides being independent and qualified, Schneider Electric's directors participate actively in the work of the board. The attendance rate has exceeded 90%, 8 years of the last 10 years and reached 90% in 2017.

As part of its preparatory work for its proposals to the board, the Committee:

- Defines incentive plan criteria based on Schneider Electric's executive compensation pillars and business strategy. Individual qualitative and/or quantitative targets are determined at the beginning of the year in accordance with the goals of the strategic plan and individual performance objectives of each Corporate Officer. Based on circumstances and priorities, the targets also encompass risks raised by the Audit committee as well as the recommendations of the Human Resources and CSR committee;
- Benchmarks Corporate Officer pay against the median of a peer group consisting of 24 French and international companies that are comparable to Schneider Electric in terms of market capitalization, revenue, industry or that represent a potential source of recruitment or attrition. This benchmarking is used as an indicator, not as a target, and is done *ex-post* for reference only;
- Relies on its Chair and independent lead director to directly engage with shareholders to ensure their perspectives and feedback on Schneider Electric's compensation policy and decisions are heard and considered in decision-making.

This process guarantees consistency and balance between the compensation policy applied to the senior managers and the compensation policy applied to Corporate Officers. It also ensures that all members of the Group Senior Management, including the Corporate Officers, share the same objectives and priorities as well as the same rewards. From a process standpoint, in determining executive compensation the use of discretion is limited to reviewing personal objectives.

In making executive compensation decisions, the board considers:

- Executive compensation pillars;
- Group financial performance;
- Corporate Officer performance relative to business objectives and business environment;
- Complexity and scope of Corporate Officer roles and responsibilities;
- Shareholders' recommendations;
- Input from external advisors (to ensure executive pay is competitive and appropriate) on a pluriannual basis;
- Market pay practices and conditions;
- Emerging best practices in executive compensation and governance.

7.1.2 Pillars of executive compensation

Schneider Electric believes in rewarding all employees, including the Corporate Officers, for delivering strong performance, building shareholder value and helping the Group achieve its corporate goals. With this in mind, the Committee follows a rigorous process when making executive compensation decisions. This process is underpinned by 3 pillars, translated into 7 principles:

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

- **PRINCIPLE 1** Prevalence of variable components: circa 80% for CEO and 75% for Deputy-CEO (at target)
- **PRINCIPLE 2** Performance evaluated via economic and measurable criteria
- **PRINCIPLE 3** Financial and sustainability & transformational objectives fairly balanced and distributed between short term (STIP) and medium term (LTIP) components

2 ALIGNMENT WITH SHAREHOLDERS' INTERESTS, via

- **PRINCIPLE 4** Overweight of shares as part of the overall compensation package
- **PRINCIPLE 5** Performance conditions aligned to shareholders' expectations

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

- **PRINCIPLE 6** To set the Corporate Officers' compensation package 'at target' in the median range of the Company's updated peer group
- **PRINCIPLE 7** To reference the CAC40 3rd quartile and the Stoxx Europe 50 median

In line with these pillars, Schneider Electric abides by the following executive compensation practices:

What Schneider Electric Does	What Schneider Electric Does not Do
◆ Link Corporate Officer pay to performance through short- and long-term variable pay ◆ Base variable pay on primarily economic performance criteria that connect to the fulfillment of Schneider Electric's Strategic Plan ◆ Implement a robust shareholder engagement process ◆ Ensure the independence of Committee members and the advisors who may report to them ◆ Cap long-term incentive awards in terms of number of shares granted ◆ Provide a cash-based pension benefit that is linked to performance ◆ Require Corporate Officers to comply with stock ownership guidelines ◆ Limit discretion to reviewing personal objectives	◆ No rewards for Corporate Officers without a link to performance ◆ No excessive benefits in kind ◆ No discretionary or "one off" payments to Corporate Officers ◆ No defined-benefit "top hat" pension scheme

2017 Shareholder outreach

Schneider Electric is committed to the interests of its shareholders and the delivery of shareholder value. As part of this commitment, it is important to maintain ongoing dialogue with shareholders to solicit and respond to feedback about executive compensation programs and decisions. Prior to the 2017 Annual Shareholders' Meeting and in the further course of the year, the Vice-chairman independent lead director, who is also the Chair of the Governance and remunerations committee, spoke with the Group's shareholder base at investor roadshows and during broader dialogues on matters pertaining to governance.

Prior to the 2017 Shareholders Meeting, this dialog helped the Board understand shareholders' expectations regarding the Corporate Officers' compensation policy and clarify the governance and methodology applied by the Board when deciding on executive compensation.

In the second half of 2017, these discussions were resumed in order for the Committee to anticipate shareholders' expectations on executive compensation generally, and specifically in relation to the first shareholders' binding vote on compensation components determined pursuant to the principles and criteria approved in 2017.

Overall, during this positive feedback process, shareholders were in large part supportive of Schneider Electric executive pay programs, particularly for the Corporate Officers. Specifically, the investors viewed the following elements positively:

- 3 year performance share period
- Retrospective disclosure on level of performance achievement for incentive plans
- Clear communication on performance shares that are vested and forfeited
- Reasonable pay and performance alignment given sound plan design.

At the Annual Shareholders' Meeting of April 25, 2017:

- **91.88%** of the shareholder votes cast supported 2016 compensation decisions for the CEO and Chairman,
- **95.51%** supported the compensation decisions for the Deputy CEO,
- **91.28%** approved the principles and criteria governing 2017 compensation for the CEO and Chairman, and
- **94.67%** approved the principles and criteria governing 2017 compensation for the Deputy CEO.

7.2 Corporate Officers' compensation policy for financial year 2017

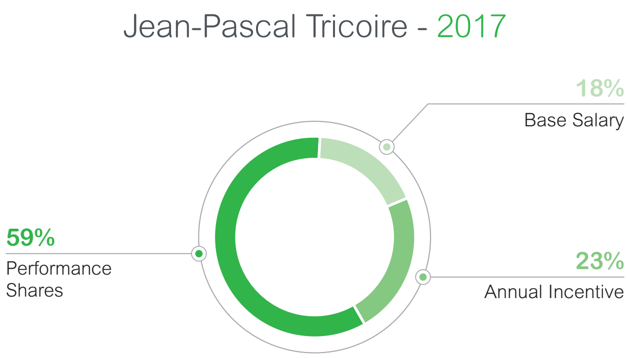
7.2.1 Principles and criteria governing Corporate Officers' compensation attributable for the financial year 2017

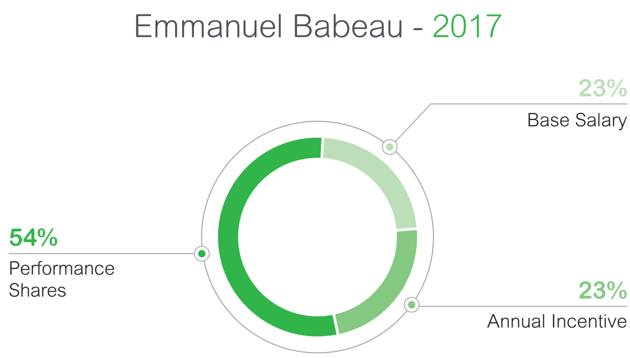
After re-examining the suitability and fairness of the compensation policy for Corporate Officers and its alignment with the Group's performance, in February 2017 the board formulated its compensation principles for financial year 2017 as outlined below. These principles were approved by shareholders in April 2017.

Pillar	How It is Reflected in the Group 2017 Compensation Policy
Pay-for-performance	◆ **Principle 1:** A prevalent part of the Corporate Officer target packages shall be variable; the 2017 target packages consist of approximately 75% to 80% variable pay components. ◆ **Principle 2:** Performance is evaluated *via* criteria that are mainly economic (75% of variable cash compensation and 80% of multi-year performance shares) and measurable (80% of variable cash compensation and 100% of performance shares), which are selected based on KPIs used in the market communication and drivers of the Group's strategy. ◆ **Principle 3:** Financial and Sustainability & Transformation objectives are fairly balanced and distributed between short-term (annual incentive) and medium-term (long-term incentive) components, in such a manner that the orientations adopted by the Corporate Officers take into consideration both dimensions.
Alignment with shareholders' long-term interests	◆ **Principle 4:** Corporate Officer target packages consist of approximately 50% long-term share-based benefits, meaning Officer compensation is subject to the same share price volatility that shareholders experience. ◆ **Principle 5:** Performance criteria are selected from financial indicators that are most representative of Group performance and that are closely linked to shareholder value creation. Performance levels required to reach targets are set in early 2017 in line with the guidance disclosed to the market simultaneously with the results of the previous financial year and are supplemented by factors that enable the Group to offer a lasting and satisfactory development outlook for all stakeholders in the company's success.
Competitiveness	◆ **Principle 6:** Corporate Officer pay is benchmarked against the median of a peer group consisting of 24 French and international companies that are comparable to Schneider Electric or that represent a potential source of recruitment or attrition, re-examined on an annual basis. This benchmarking is used as an indicator, not as a target, and *is done ex-post* for reference only. The peer group comprises European and US-based companies, covering: ◆ Business competitors (in particular those identified in the Long-Term Incentive Plan as performance peers for TSR calculation purposes), ◆ Talent competitors for operational and functional jobs, and ◆ "Acceptance" peers (*i.e.* groups of a similar size, business or structure). **Financial Year 2017 Compensation Peer Group** ◆ ABB ◆ ACS ◆ Air Liquide ◆ Airbus Group ◆ Atlas Copco ◆ Autodesk ◆ Bayer ◆ Dassault Systèmes ◆ Eaton ◆ Emerson ◆ Hexagon ◆ Honeywell ◆ Johnson Controls International ◆ Lafarge Holcim ◆ Legrand ◆ Philips ◆ PTC ◆ Rockwell Automation ◆ Saint-Gobain ◆ SAP ◆ Siemens ◆ Syngenta ◆ Thyssen Krups ◆ Vinci ◆ **Principle 7:** The board assesses Corporate Officer pay in reference to indices, namely to the top quartile of the CAC 40 and the median of the Stoxx Europe 50, in line with the Group's position within these indices.

In February 2017, the board determined the Corporate Officers' compensation for 2017 in accordance with the principles and criteria approved by the shareholders and reproduced below for easy reference for each of the component of the compensation.

Consistent with the pillars of the Group compensation philosophy, 82% of Mr. Tricoire's financial year 2017 target compensation and 77% of Mr. Babeau's financial year 2017 target compensation was comprised of variable pay.





Base Salary

Base salaries are reviewed annually, serve as an attraction and retention vehicle, and are set reasonably compared to market practice with the goal for this pay element to represent approximately 20% to 25% of total remuneration at target for Corporate Officers.

As approved by the shareholders at the 2017 General Meeting, Mr. Tricoire's base salary for 2017 was EUR950,000,and Mr. Babeau's base salary EUR605,000.

Annual Incentive

As shown in the table below, variable compensation may not exceed 260% of base salary for Mr. Tricoire and 200% of base salary for Mr. Babeau. The progression of the amount between 0% and these 2 limits is linear.

Officer	Target *(as a % of Base Salary)*	Award Target *(€)*	Minimum Target Achievement	Maximum Target Achievement *(%)*	Maximum Target Achievement *(€)*
Jean-Pascal Tricoire	130%	€1,235,000	0%	260%	€2,470,000
Emmanuel Babeau	100%	€605,000	0%	200%	€1,210,000

The table below details for 2017 the various annual incentive performance criteria, together with their weightings:

Weight		
75%	**Economic Criteria**	
60%	Group Financial Indicators	
	◆ Organic sales growth of the Group	30%
	◆ Adjusted EBITA (Org.)	20%
	◆ Group cash conversion rate	10%
15%	Company program Priorities	
	◆ Field services (without process automation) sales growth	5%
	◆ Systems gross margin (projects and equipment)	5%
	◆ Digital index(1)	5%
5%	**Non-Economic Measurable Criteria**	
	◆ Planet and Society Barometer	5%
20%	**Individual Assessment by the board**	
	◆ Individual goals determined by the board based on the Company's strategic plan	20%
100%	**TOTAL**	**100%**

(1) The precise nature of this criteria is not disclosed to protect business confidentiality.

With the goal of further aligning incentive program with corporate-wide performance, and to align better with market practice, the portion of annual incentive payouts based on economic performance criteria increased from 60% in financial year 2016 to 75% in financial year 2017. In addition, the portion based on individual performance, which was reduced to 20% in 2016, was maintained at this level.

The payment of the variable annual incentive is conditioned upon approval by the shareholders of the compensation granted to the concerned Corporate Officer. The Company does not operate a clawback policy.

Long-term incentive: performance shares

In order to align the interests of the Group's executives to those of the shareholders, the board has allocated performance shares to more than 2,000 beneficiaries who hold positions as Group executives under Plans No. 28 and 29. These shares are subject to a set of performance criteria that are measured over the long-term and combine financial indicators (65%), relative return on investment with the TSR objective (15%) and sustainable development (20%). The total number of shares that were granted in 2017 was set at 2.43 million shares.

Since 2016 the final allocation of performance shares is determined by the achievement of the assessed targets over a 3 year period, which strengthens the alignment of executive compensation to the shareholders' long-term fundamental interests. Further, the shares in Plan No. 28, which are granted only to the Corporate Officers on account of their office, are also subject to a 1 year holding period on top of the 3 year vesting period.

For the Plans granted in 2017, the acquisition of the shares depends on the achievement rate of the following Group indicators over a 3 year period:

- For 40%, a target operating margin of adjusted EBITA for the 2017–2019 period;
- For 25%, a cash conversion target for the 2017-2019 period;
- For 15%, a TSR target linked to Schneider Electric's ranking in a panel of 12 companies by the end of 2019; and
- For 20%, a level of achievement of the Planet & Society Barometer for the 2017-2019 period.

The target values of each of these objectives and the vesting rules are set by the board based on the guidance communicated to the market and will be detailed in the board's report at the Shareholders' Meeting once the acquisition period has lapsed.

In keeping with the previous plans, the board in 2017 decided to allocate the following to the Corporate Officers:

Officer	Number of Shares (Plan No. 28)	Number of Shares (Plan No. 29)	Total Target Value of Shares(1)
Jean-Pascal Tricoire	18,000	42,000	€3,219,240
Emmanuel Babeau	7,800	18,200	€1,395,004

(1) Determined in accordance with IFRS standards; IFRS does not apply any discount for performance on internal criteria.

The volume of the distribution was set with consideration for:

- The total volume of the previous plans, with a view toward continuity of the incentive policy for executives and competitiveness;
- The number of shares allocated to other Group executives who are eligible to the same multi-year profit-sharing plan: for 2017, the number of shares that may be allocated to the Corporate Officers in accordance with Plans No. 28 and 29 therefore made up 3.5% of the total of the aforementioned plans; and
- The resulting cost for the Company.

It should be noted that there is no realized compensation to take on record for 2017 in the form of performance shares due to Schneider Electric's move from 2 to 3 year vesting periods from 2016 onwards.

Attendance fees

Mr. Tricoire has waived the attendance fees to which he is entitled in his capacity of Chairman of the board in pursuance of the distribution rules adopted by the board.

Additional cash benefits for pension building

Like many other French and international publicly traded companies, Schneider Electric once maintained a defined benefit pension program for its Corporate Officers as a way to accumulate retirement funds in a tax advantaged and reasonable manner to be paid upon retirement from the Company. In 2015 the board decided to review the cost efficiency and conformity to the "pillars" of the so-called "Article 39" defined-benefit pension scheme. Based on this review, the board concluded to move away from the scheme due to the excessive cost of such "top hat" pension plans and instead provide a combination of fixed and variable payments to the Corporate Officers that are considered "other benefits" to ensure consistency and comparability with other French or international companies. The variable payment is aligned in terms of criteria and rate with the annual incentive.

Officer	Fixed portion	Variable portion				Total at Target (€)
		Target	Award target	Min (€)	Max (€)	
Jean-Pascal Tricoire	€182,000	130%	€236,600	€0	€473,200	€418,600
Emmanuel Babeau	€136,400	100%	€136,400	€0	€272,800	€272,800

Other benefits of any type

Employer Matching Contributions and Profit-Sharing

In financial year 2017, both Corporate Officers were eligible for profit-sharing and the employer matching contribution paid to subscribers to the capital increase reserved for employees.

In addition, both Corporate Officers were eligible for the employer matching contribution paid to subscribers to the collective pension fund (PERCO) for the retirement of workers in France.

Company Car and Travel Expenses

Travel and business expenses for Messrs. Tricoire and Babeau are covered by the Group. The Corporate Officers may use the cars made available to Group Senior Management with or without chauffeur services. In addition, each has been provided with a company car. Neither is eligible to be reimbursed for other costs.

7.2.2 Other benefits forming part of the status of the corporate officers (regulated agreements and commitments)

Health, Life & Disability schemes

Messrs. Tricoire and Babeau are granted benefits under the Schneider Electric SE and Schneider Electric Industries SAS employee benefit plan, which offers health, incapacity, disability and death coverage, plus additional coverage for health, incapacity, disability or 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 is subject to the achievement of either of the following performance conditions: the average net income from the 5 financial years leading up to the event is positive or the average free cash flow from the 5 financial years leading up to the event is positive.

Termination and change of assignment agreements

The provisions of the regulated agreements and commitments applicable in case of termination of change of assignment of the Corporate Officers have not been enforced in 2017 and are therefore not detailed herein.

The principles and criteria described in this section were approved by Schneider Electric shareholders at the Annual Shareholders' Meeting on April 25, 2017.

Following Mr. Tricoire's renewal as a director at the Annual Shareholders' Meeting of April 25, 2017, the board has reiterated and reviewed the status of the Corporate Officers and to this end, approved new Regulated Agreements and Commitments, the terms of which are detailed pages 205 to 207 and in the Statutory Auditors' report on Regulated Agreements and Commitments pages 365 to 368, submitted to the shareholders for approval under the 4th and 5th resolutions.

7.2.3 Compensation granted for financial year 2017

Financial year 2017 business performance

Schneider Electric is leading the Digital Transformation of Energy Management and Automation in Homes Buildings, Data Centers, Infrastructure and Industries.

Pay-for-performance is one of three pillars in Schneider Electric's executive compensation philosophy. Therefore, one must consider business performance in order to fully understand the executive compensation decisions made in financial year 2017.

Jean-Pascal Tricoire, Chairman and CEO, commented on the good performance of the Group: "In 2017, we drove our revenues up +3.2% organic for the full year, and accelerated in Q4 at +4.6%. The continued execution of our strategy delivers a strong +90 bps organic adjusted EBITA margin improvement, confirming the continuous and structural improvement of our operating margin over the past 10 quarters. **2017 is the year of a combined highest ever adjusted EBITA, Net Income and Free Cash Flow. We also improved our ROCE to 12%, by more than 1.3 pt.**"

Corporate Officers' compensation for 2017

This robust performance is reflected in the Corporate Officers' compensation for 2017, as determined by the board in its meeting of February 14, 2018, strictly applying the principles and criteria approved by the shareholders and presented on pages 183 to 186.

The compensation or benefits of all kinds granted to the Corporate Officers for 2017 as detailed in this section are submitted to the shareholders for approval at the 2018 Shareholders' Meeting of April 24, 2018, under the 7th and 8th resolutions.

In accordance with AFEP/MEDEF recommendation, the following tables summarize the compensation and benefits due or granted to Messrs. Tricoire and Babeau for financial years 2016–2017:

Reported compensation and benefits (as per AFEP/MEDEF methodology)

Jean-Pascal Tricoire Chairman & Chief Executive Officer	**Amounts due for fiscal year 2017**	**Amounts due for fiscal year 2016**
(in euros)		
A- Cash Compensation		
Base salary	950,000	950,000
Annual incentive	1,882,140	1,598,090
Attendance fees	0	0
Sub total (A) (cash compensation)	**2,832,140**	**2,548,090**
B- Benefits in kind		
Valuation of the performance shares granted	3,219,240	2,575,800
Fringe benefit (car)	13,089	13,408
Sub total (B) (benefits in kind)	**3,232,329**	**2,589,208**
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**6,064,469**	**5,137,298**
C- Pension cash benefit		
Complementary payment for pension building (fixed amount)	182,000	182,000
Complementary payment for pension building (variable part)	360,578	306,160
Sub total (C) (pension cash benefit)	**542,578**	**488,160**
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**6,607,047**	**5,625,458**

Reported compensation and benefits (as per AFEP/MEDEF methodology)

Emmanuel Babeau Deputy Chief Executive Officer	**Amounts due for fiscal year 2017**	**Amounts due for fiscal year 2016**
(in euros)		
A- Cash Compensation		
Base salary	605,000	605,000
Annual incentive	922,020	782,870
Attendance fees	N/A	N/A
Sub total (A) (cash compensation)	**1,527,020**	**1,387,870**
B- Benefits in kind		
Valuation of the performance shares granted	1,395,000	1,116,180
Fringe benefit (car)	12,330	13,197
Sub total (B) (benefits in kind)	**1,407,330**	**1,129,377**
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**2,934,350**	**2,517,247**
C- Pension cash benefit		
Complementary payment for pension building (fixed amount)	136,400	136,400
Complementary payment for pension building (variable part)	207,873	176,502
Sub total (C) (pension cash benefit)	**344,273**	**312,902**
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**3,278,623**	**2,830,149**

Methodological note: According to the methodology prescribed by the AFEP/MEDEF Code, the compensation shall be presented on a **reported** basis. Accordingly, the benefits in kind to be reported for a financial year cover the performance shares granted during this same financial year, the performance period of which, by definition, has not elapsed. Their total value shall correspond to the total number of shares granted, before discount on account of performance, multiplied by the unit value of the share as determined by expert actuaries in accordance with IFRS 2 standards (see tables **above**).

In order to facilitate the analyses, the benefits in kind are also presented and assessed in **realized** value, where the performance shares computed in the annual compensation for a given year shall comprise the shares deemed vested under plans granted in the previous years for which the rate of achievement of the performance conditions has been measured at the year-end of the past financial year (see tables **below**). Following the extension in 2016 of the performance period from 2 to 3 years, there are no performance conditions to record in 2017, and the amount dedicated to performance shares deemed vested in 2017 in the "realized" compensation is therefore null.

In accordance with US standards, the following section summarizes the realized compensation and benefits of Messrs. Tricoire and Babeau for financial years 2016-2017:

Realized compensation and benefits (as per US standards)

Jean-Pascal Tricoire Chairman & Chief Executive Officer	**Amounts due for fiscal year 2017**	**Amounts due for fiscal year 2016**
(in euros)		
A- Cash Compensation		
Base salary	950,000	950,000
Annual incentive	1,882,140	1,598,090
Attendance fees	0	0
Sub total (A) (cash compensation)	**2,832,140**	**2,548,090**
B- Benefits in kind		
Valuation of the performance shares deemed acquired	N/A	2,816,286
Fringe benefit (car)	13,089	13,408
Sub total (B) (benefits in kind)	**13,089**	**2,829,694**
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**2,845,229**	**5,377,784**
C- Pension cash benefit		
Complementary payment for pension building (fixed amount)	182,000	182,000
Complementary payment for pension building (variable part)	360,578	306,160
Sub total (C) (pension cash benefit)	**542,578**	**488,160**
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**3,387,807**	**5,865,944**

Realized compensation and benefits (as per US standards)

Emmanuel Babeau Deputy Chief Executive Officer	**Amounts due for fiscal year 2017**	**Amounts due for fiscal year 2016**
(in euros)		
A- Cash Compensation		
Base salary	605,000	605,000
Annual incentive	922,020	782,870
Attendance fees	N/A	N/A
Sub total (A) (cash compensation)	**1,527,020**	**1,387,870**
B- Benefits in kind		
Valuation of the performance shares deemed acquired	N/A	1,220,391
Fringe benefit (car)	12,330	13,197
Sub total (B) (benefits in kind)	**12,330**	**1,233,588**
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**1,539,350**	**2,621,458**
C- Pension cash benefit		
Complementary payment for pension building (fixed amount)	136,400	136,400
Complementary payment for pension building (variable part)	207,873	176,502
Sub total (C) (pension cash benefit)	**344,273**	**312,902**
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**1,883,623**	**2,934,360**

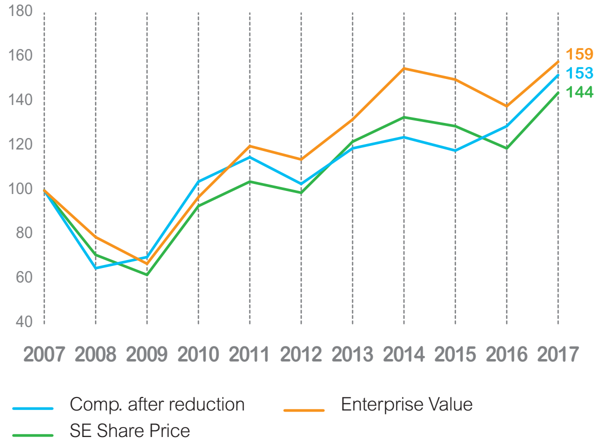
Realizable performance share values as per IFRS 2 standards reported in the AFEP/MEDEF tables do not capture the discount for non-performance on internal criteria (*i.e.* all criteria except for relative TSR). Realized performance share values valued as per US standards reflect the actual number of shares earned based on performance conditions and subject to presence conditions, multiplied by share price at acquisition.

Positioning in relation to the Company's performance

As illustrated by the graphs below, the Chairman and CEO Mr. Tricoire's actual compensation has consistently tracked the trend of shareholder returns in terms of share price and enterprise value:

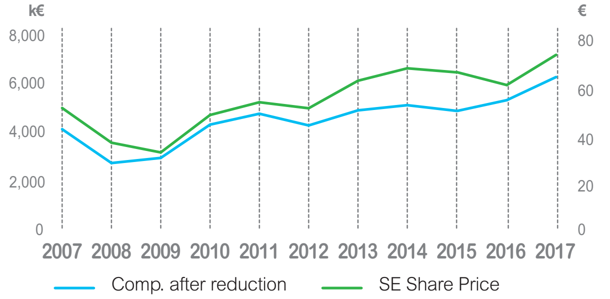
Pay-for-performance: analysis for the Chairman and CEO

CEO COMPENSATION VS SHAREHOLDER RETURNS (BASE 100)

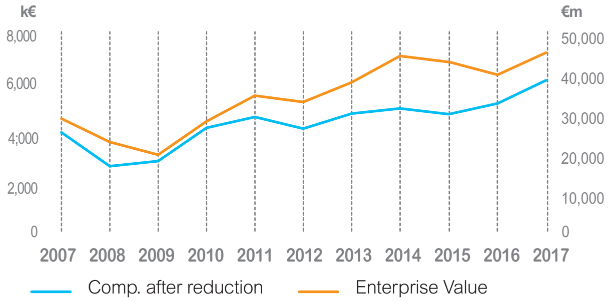


Note: the "compensation after reduction" includes, except for 2016 and 2017 which are presented "at target":
- The base salary
- The short term incentive earned for the year in reference
- The value at grant (IFRS) of the long term inventive (performance shares/ stock options) granted on the year in reference, multiplied by the actual achievement rate.

CEO COMP. (K€) VS SE SHARE PRICE (€)



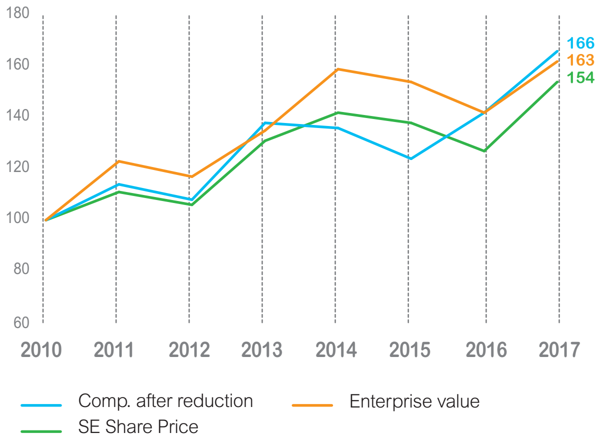
CEO COMP. (K€) VS ENTERPRISE VALUE (MLN€)



Pay-for-performance: analysis for the Deputy CEO

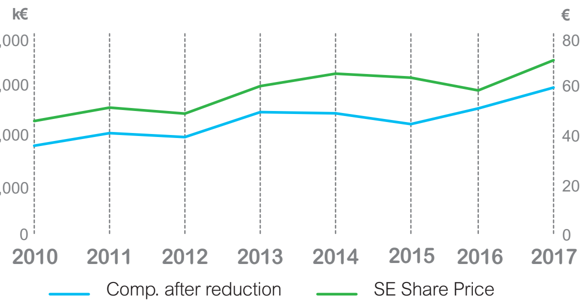
The same is true for Mr. Babeau:

DEPUTY-CEO COMPENSATION VS SHAREHOLDER RETURNS (BASE 100)

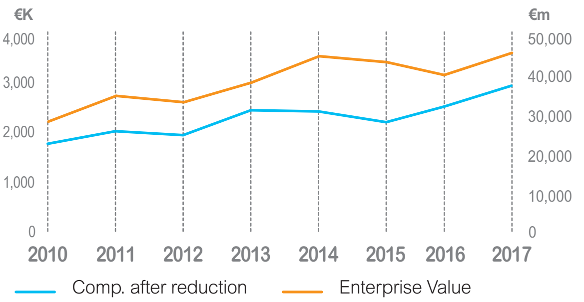


Note: the "compensation after reduction" includes, except for 2016 and 2017 which are presented "at target":
- The base salary
- The short term incentive earned for the year in reference
- The value at grant (IFRS) of the long term inventive (performance shares/ stock options) granted on the year in reference, multiplied by the actual achievement rate.

DEPUTY-CEO COMP. (K€) VS SE SHARE PRICE (€)



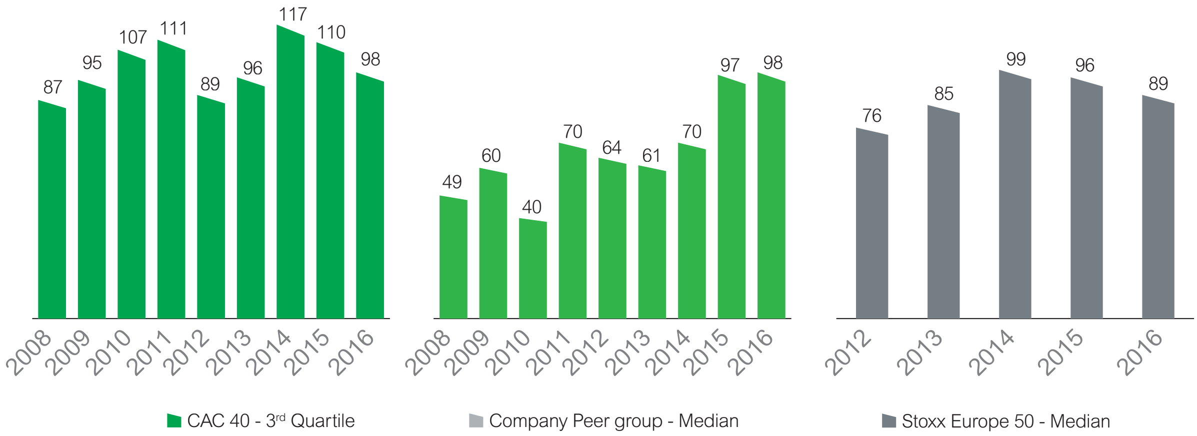
DEPUTY-CEO COMP. (K€) VS ENTERPRISE VALUE (MLN€)



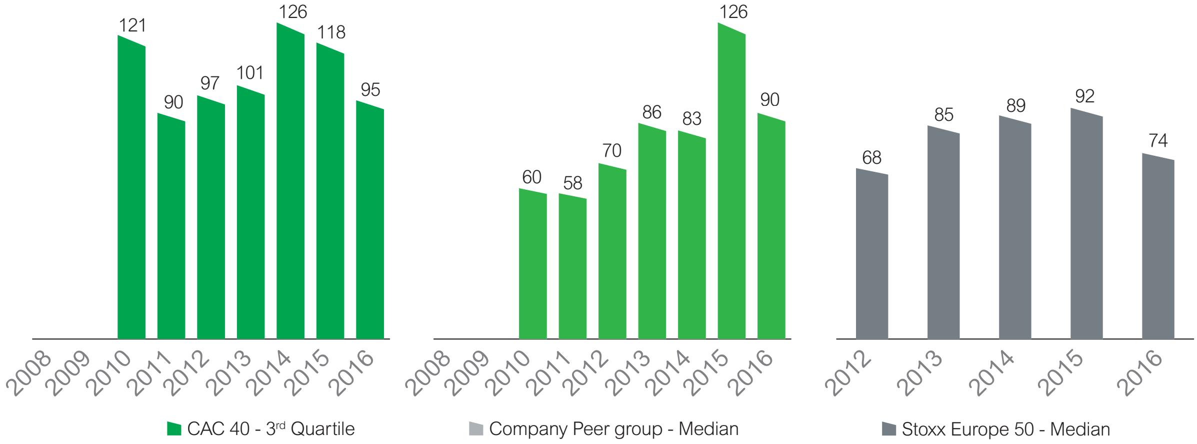
Positioning in relation to the reference peer group and indices

The graphs below illustrate that the compensation of the Corporate Officers falls into the range defined by the board.

CHAIRMAN & CEO COMPENSATION[1] COMPARED TO COMPANY PEER GROUP AND REFERENCE INDICES[2]



DEPUTY CEO COMPENSATION[1] COMPARED TO COMPANY PEER GROUP AND REFERENCE INDICES[2]



(1) Compensation includes base salary, short term incentive and long term incentive (performance shares) on target
(2) For all panels the latest available data is extracted from 2016 Annual Reports

Comments:
The following table explains item wise the compensation granted to the Corporate Officers in financial year 2017:

Base Salary

The base salaries granted to the Corporate Officers are as approved by the shareholders at the 2017 Shareholders' Meeting.

Officer	FY 2017 (as of 1/1/17)	FY 2016 (as of 1/1/16)	% Change
Jean-Pascal Tricoire	€950,000	€950,000	0%
Emmanuel Babeau	€605,000	€605,000	0%

Annual Incentive

The annual incentive program relies on a variety of metrics, mostly economic and measurable, that reflect a balanced set of priorities for the financial year followed by the Corporate Officers.
No adjustments were made to performance targets for annual incentive purposes following their original communication to the market. In other words, consistent with governance best practice as well as Schneider Electric's compensation policy for 2017, the 2017 annual incentive targets were not adjusted following the revised financial guidance in July and October.
The measurable financial objectives for 2017 represented 75% of the variable compensation in cash of Messrs. Tricoire and Babeau. In total, 2017 performance resulted in an overall achievement rate of 152.40%, which represents **198.12%** of Mr. Tricoire's base salary and **152.40%** of Mr. Babeau's base salary with individual performance considered. These above target numbers reflect the strong results delivered by Schneider Electric in 2017.

Officer	Target *(as a % of Base Salary)*	Award Target *(€)*	Actual Performance *(as a % of target)*	2017 Actual Payout *(as a % of base salary)*	2017 Actual Payout Amount *(€)*
Jean-Pascal Tricoire	130%	€1,235,000	152.40%	198.12%	€1,882,140
Emmanuel Babeau	100%	€605,000	152.40%	152.40%	€922,020

Metric	Weight	2017 Performance Target			2017 Achievement *(base 100)*
		Threshold	Target	Maximum	
Group Sales Growth (org.)	30%	-1%	1%	3%	200%
Group Adj. EBITA % (org.)	20%	-0.1 pt	+0.3 pt	+0.7 pt	200%
Group Cash Conversion Rate	10%	85%	95%	105%	200%
Field Services Sales Growth	5%				0%
System Gross Margin	5%				0%
Digital Index	5%				8%
Planet & Society Barometer	5%	8.5	9.0	9.5	200%
Individual Objectives	20%				Mr. Tricoire: 110% Mr. Babeau: 110%
TOTAL WEIGHTED	**100%**				**152.40%**

In compliance with article L.225-100 of the French Commercial Code, the payment of this annual incentive is subject to approval by the shareholders of the compensation granted to the Corporate Officers for the financial year 2017 (*cf.* 7th and 8th resolutions submitted to the Shareholders' Meeting of April 24, 2018).

Comments:
The overall level of achievement for 2017 on the criteria set by the board reached an average of 152.4%, illustrating the strong financial performance of the Group during the year.
It can be analyzed as follows:
The financial parameters globally delivered very strong pay-out as the Group delivered an excellent financial performance in all dimensions, exceeding initial objectives set at the beginning of the year.

Annual Incentive (con'd)

- For sales organic growth, the Group target was revised upward several times *vs.* the guidance issued to the financial market in February 2017. The organic growth for Group revenue outside Medium Voltage was c.+4.5%, above the initial target of organic growth of between +1% and +3%. For the Medium Voltage Division, excluding selectivity initiatives, organic growth was c.+2% *vs.* an initial target of remaining stable compared with the prior year. This translated as a 200% achievement on this criterion.
- Regarding the adjusted EBITA margin increase, the initial target was organic progression within the +20 to +50 bps medium-term range objective. After several revisions upward during the year, the Group achieved an organic improvement of +90 bps, which represents an achievement rate of 200% on the original target.
- On the cash conversion, the record free cash flow generation has resulted in 105% conversion of the net profit, 5 points above the long-term average objective of 100% and also significantly above the cash conversion rate that could be expected in a year with increased dynamism on the sales growth translating into greater capex and working capital growth. This represents an achievement rate of 200%.

The Group continued to make progress to drive the strategic transformations, but fell short of the strong expectations set by the Board

- On Services, the 3% growth is significantly below the mid to high single-digit growth mark set as the ambition for growing Services, which translated into a 0% achievement for this criterion.
- Regarding gross margin improvement on Systems, despite progress made during the year, the high level of priority on that criteria has meant that the objective was significantly above the realized performance and that translated into a 0% achievement on this parameter.
- The performance on the digital index did not match the Board expectations defined at the beginning of 2017, which resulted in an 8% achievement on that target.

On the Planet and Society Barometer the very strong progress made by the Group, recognized by the numerous awards received on corporate social responsibility and on sustainability, resulted in a 200% achievement.
On the individual objectives, the board attributed to the corporate officers an overall achievement rate of 110%, reflecting both the strong financial performance of the year and their high ambitions for further accelerated progress on the strategic priorities.

Performance Shares

On a reported basis
For the 2017–2019 performance cycle, performance share awards (Plans No. 28 and 29) will vest in full after 3 years. 100% of the shares granted to the Senior Management are subject to the fulfillment of performance conditions that are based on:

- **Adjusted EBITA (org.)** (40% weighting) – this is defined as the average of the annual rates of achievement of adjusted EBITA margin for financial years 2017 to 2019 set by the board of directors, and is in line with the objectives announced to investors at the beginning of the year. For 2017, the board decided that if the adjusted EBITA margin decreased by at least -10 basis points before foreign exchange impact compared with 2016, the achievement rate for the year would be 0% and if it increased by at least +30 basis points before foreign exchange impact, then the achievement rate for this criteria for 2017 would be 100%, with a linear distribution between the 2 points;
- **Group cash conversation rate** (25% weighting) – the target average rate ranges between 80% and 100% according to following scale: 0% if the average rate is below or equal to 80%, 100% if the average rate is equal to or higher than 100% with a linear distribution between the 2 points. An average rate higher than 100% will give the right to a complementary allocation of shares for that criterion offsetting, up to the same number of shares and within the limit of 50% (corresponding to an average rate of 120% or more), with a linear distribution between the two, the non-achievement of the target Adjusted EBITA or target TSR objective, provided however the number of additionnal shares thus allocated for rate of the cash conversion criterion shall not, under any circumstances, cause the number of shares originally granted subject to performance conditions under Adjusted EBITA, cash conversion and TSR criteria to be exceeded;
- **The Planet & Society Barometer** (20% weighting) – For 2017, if this index is lower than or equal to 8.5, no shares will vest. If this index is equal to or higher than 9, 100% of the shares will vest. Distribution is linear between the 2 points; and
- **TSR relative to pre-selected peers** (15% weighting) – this objective is set based on Schneider Electric's TSR ranking within the following panel of companies: ABB, Legrand, Siemens, Schneider Electric, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa according to following scale:

Ranking	Achievement Rate
First quartile (*i.e.* 1st, 2nd, 3rd place)	Up to 150% with an average of 135% of the criterion(1)
Second quartile (*i.e.* 4th, 5th, 6th place)	Average of 87% of the criterion
Third quartile (*i.e.* 7th, 8th, 9th place)	Average of 13% of the criterion
Last quartile (*i.e.* 10th, 11th, 12th place)	Zero(2)

(1) 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 on rate of cash conversion target over the 3 year period. However, final acquisition of shares at the end of the 3 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.
(2) In the event that the gap between the Schneider Electric TSR and that of the peers is less than 3% in TSR value, Schneider Electric will be deemed to have the same ranking as the latter.

Performance Shares (con'd)

Officer	Number of Shares (Plan No. 28) [1]	Number of Shares (Plan No. 29)	Total Target Value of Shares [2]	% Capital Represented By Share Allocation
Jean-Pascal Tricoire	18 000	42 000	3 219 240 €	0,01 %
Emmanuel Babeau	7 800	18 200	1 395 004 €	0,004 %

(1) Performance shares plan granted in relation to the offi ce of a Corporate Offi cer of Schneider Electric SE; subject to one year additional holding period on top of the three-year acquisition period.
(2) As per IFRS standards.

The number of performance shares granted represents a cap; in no circumstance, even in the case of overachievement of all targets, the number of shares acquired may exceed the number of shares granted.

25% (for Mr. Tricoire) and 15% (for Mr. Babeau) of the shares vested are subject to a holding requirement until such time as the Corporate Officer ceases duties. Furthermore, in the event of vested shares being sold, Messrs. Tricoire and Babeau are required to reinvest 10% of the price of sale in Schneider Electric shares (net of taxes and contributions). These obligations are suspended insofar as the Corporate Officers hold Schneider Electric shares with a value representing 3 times (for Mr. Tricoire) or twice (for Mr. Babeau) their base salary.

On a Realized Basis
Due to the extension of the performance period from 2 years to 3 years beginning in 2016, there is no realized value for Corporate Officer performance share awards for financial year 2017.

Attendance Fees

Mr. Tricoire waived the financial year 2017 attendance fees to which he was entitled.

Additional Cash Benefits for Pension Building

As mentioned previously, since 2015 the Corporate Officers shall be responsible for building up their pension on their own. To this end, they receive a combination of fixed and variable amounts (subject to performance). To ensure consistency and comparability with other French or international companies, these amounts are not considered as regular components of compensation but as cash benefits. As part of the complementary payment for 2017, Messrs. Tricoire and Babeau are entitled to receive:

Officer	Fixed Amount	Variable Amount[1]
Jean-Pascal Tricoire	€182,000	€360,578
Emmanuel Babeau	€136,400	€207,873

(1) Calculated by applying to the fixed compensation above the percentage of target achievement determined for the calculation of his variable compensation.

Based on calculations completed by a consultant actuary, the adoption of this scheme enabled the Group to save a combined EUR581,786. Messrs. Tricoire and Babeau committed to depositing these additional payments, after taxes, into investment vehicles dedicated to the supplementary financing of their pensions.
In compliance with applicable law, the payment of the variable amount will be subject to shareholders' approval.

Other Benefits of Any Type

In accordance with their entitlements as approved by the shareholders at the Shareholders' Meeting, Messrs. Tricoire and Babeau were granted the following benefits in 2017:

Officer	Employer matching contribution to capital Increase for Employees	Employer matching contribution to collective Pension Saving Plan (PERCO)	Profit-sharing
Jean-Pascal Tricoire	€1,404	€800	€9,575
Emmanuel Babeau	€1,404	€0	€9,575

Company Car
The disposal of a company car granted to each of Messrs. Tricoire and Babeau represented an equivalent amount of EUR13,089 and EUR12,330 respectively.

Other Benefits Forming Part of the Status of the Corporate Officers (Regulated Agreements)

No amount was paid to either Corporate Officer in financial year 2017 in relation to involuntary severance or non-compete commitment.

In Summary

The compensation granted to the Corporate Officers for the financial year 2017 reflects:

- The exceptional Group business performance throughout the financial year, the extent of which could not be anticipated at the time the committee set the targets for the variable incentives;
- The Corporate Officers' individual performance results; and
- Shareholders' expectations.

7.3 Corporate Officers' compensation policy for financial year 2018

Summary of the proposed changes

Based on the Committee's recommendation, the board decided in its meeting of February 14, 2018 to maintain the 2017 executive compensation pillars (see page 181 of this registration document).

The 2018 compensation policy and criteria will also remain largely the same as in 2017, apart from the changes outlined in the table below.

Element	Overview of Decision	Rationale
Base Salaries	◆ Financial year 2017 base salaries to be increased by 5% for Mr. Tricoire and 12% for Mr. Babeau.	◆ The increase was decided with a view to rewarding the Corporate Officers for the high quality of their actions and initiatives, which enabled the Group to expand its offer and international exposure and to increase its competitiveness (in accordance with the principle "pay-for-performance"), and to keep the competitiveness of the Corporate Officers' package in mind considering their skills and experience (in accordance with the competitiveness principle), while remaining within internal and external acceptance levels. ◆ As regards Mr. Babeau, the increase of 12% also reflects his new responsibilities in the New Aveva Group.
Annual Cash Incentive Plan	◆ Transformational objectives of the Company Program increased to 30%, and individual objectives reduced to 10%. ◆ Introduce the possibility to revise the targets in case the guidance is revised in the course of the year, to ensure a constant alignment of the objectives with the shareholders' interests.	◆ The economic criteria, which are very closely aligned with shareholder interests, will now represent 84% of the total; placing more emphasis on this component further strengthens the relationship between pay and performance and also the readability of the Corporate Officers' package. ◆ Giving more weight to the objectives of the company program will further align the pay of the Corporate Officers with the Group strategy.
Long-Term Incentive	◆ Maintained financial year 2017 maximum number of shares granted to both Corporate Officers. ◆ Maintain the structure of the performance conditions reflecting a fair balance between financial indicators aligned to the perspectives shared with the market, and measurable criteria reflecting the Sustainability and Transformation objectives.	◆ The 2017 maximum number of share grants were viewed as reasonable for the upcoming cycle.
Discretionary Awards	◆ Maintained the prohibition of one-off payments that are not provided for in the compensation policy approved by the shareholders.	◆ This practice has been continued as it helps to ensure Schneider Electric pays for performance.

Element	Overview of Decision	Rationale
Payment of non-compete Indemnity	◆ The principle, conditions, calculation formula and cap applicable to the determination of the non-compete indemnity, if any, would remain unchanged; however, besides being conditional upon the satisfaction of performance conditions, it will be subject to the board's unilateral decision to enforce or waive the non-compete agreement at the time of departure of the concerned Corporate Officer. See Statutory Auditors' special report on Regulated Agreements and Commitments pages 365 to 368 submitted to the shareholders for approval under the 4th and 5th resolutions.	◆ The board's exclusive power to decide on the application or waiver of the non-compete agreement is strictly aligned to the AFEP/MEDEF corporate governance guidelines. Schneider Electric now abides by all the guidelines of the AFEP/MEDEF Code, with no exception.
Retention of Unvested Stock Options and Performance Shares	◆ In case of forced departure (as defined in the Regulated Agreements) and regarding the future stock options and performance share plans, the Corporate Officers are entitled to retain the number of stock options and shares granted to them and unvested at the time of their departure in proportion of their presence with the Company during the vesting period, unless the board decides to grant to the departing Corporate Officer the benefit of all such stock options or performance shares, provided however pre-set performance conditions are met (as detailed in the Statutory Auditors' special report, pages 365 to 368).	◆ While keeping flexibility to take a final decision at the time of departure of the Corporate Officer based on actual circumstances, as prescribed by the AFEP/MEDEF corporate governance guidelines, the board has decided to follow the recommendation from the AMF and to give shareholders more visibility on the potential award. In no case can stock options or shares be retained in a context of non-performance.

The principles and criteria governing the compensation and benefits of all types granted to the Corporate Officers for 2018 as detailed in this section are submitted to the Shareholders for approval at the 2018 Shareholders' Meeting of April 24, 2018, under the 7th and 8th resolutions.

In accordance with AFEP/MEDEF recommendation, the following table summarizes the compensation and benefits attributable (at target) for Messrs. Tricoire and Babeau for the financial year 2018:

Reported compensation and benefits (as per AFEP/MEDEF methodology)

Jean-Pascal Tricoire Chairman & Chief Executive Officer	**Amounts attributable for fiscal year 2018**	**Amounts due for fiscal year 2017**
(in euros)		
A- Cash Compensation		
Base salary	1,000,000	950,000
Annual incentive (at target for 2018)	1,300,000	1,882,140
Attendance fees	0	0
Sub total (A) (cash compensation)	**2,300,000**	**2,832,140**
B- Benefits in kind		
Valuation of the performance shares granted	[60,000 shares]	3,219,240
Fringe benefit (car)	13,089	13,089
Sub total (B) (benefits in kind)	**13,089 + [60,000 shares]**	**3,232,329**
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**2,313,089 + [60,000 SHARES]**	**6,064,469**
C- Pension cash benefit		
Complementary payment for pension building (fixed amount)	191,600	182,000
Complementary payment for pension building (variable part) (at target for 2018)	249,080	361,000
Sub total (C) (pension cash benefit)	**440,680**	**543,000**
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**2,753,769 + [60,000 SHARES]**	**6,607,469**

Reported compensation and benefits (as per AFEP/MEDEF methodology)

Emmanuel Babeau Deputy Chief Executive Officer	**Amounts attributable for fiscal year 2018**	**Amounts due for fiscal year 2017**
(in euros)		
A- Cash Compensation		
Base salary	680,000	605,000
Annual incentive (at target for 2018)	680,000	922,020
Attendance fees	N/A	N/A
Sub total (A) (cash compensation)	**1,360,000**	**1,527,020**
B- Benefits in kind		
Valuation of the performance shares granted	[26,000 shares]	1,395,004
Fringe benefit (car)	12,330	12,330
Sub total (B) (benefits in kind)	**12,330 + [26,000 shares]**	**1,407,334**
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**1,372,330 + [26,000 SHARES]**	**2,934,354**
C- Pension cash benefit		
Complementary payment for pension building (fixed amount)	153,300	136,400
Complementary payment for pension building (variable part) (at target for 2018)	153,300	207,873
Sub total (C) (pension cash benefit)	**306,600**	**344,273**
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**1,678,930 + [26,000 SHARES]**	**3,278,627**

Methodological note: According to the methodology prescribed by the AFEP/MEDEF Code, the compensation shall be presented on a **reported** basis. Accordingly, the benefits in kind to be reported for a financial year cover the performance shares granted during this same financial year, the performance period of which, by definition, has not elapsed. Their total value shall correspond to the total number of shares granted, before discount on account of performance, multiplied by the unit value of the share as determined by expert actuaries in accordance with IFRS 2 standards (see tables **above**).

In order to facilitate the analyses, the benefits in kind are also presented and assessed in **realized** value, where the performance shares computed in the annual compensation for a given year shall comprise the shares deemed vested under plans granted in the previous years for which the rate of achievement of the performance conditions has been measured at the year-end of the past financial year (see tables **below**).

In accordance with US standards, the following section summarizes the compensation and benefits that would be granted to Messrs. Tricoire and Babeau for the financial year 2018 if performance targets are met:

Realized compensation and benefits (as per US standards)

Jean-Pascal Tricoire Chairman & Chief Executive Officer	**Amounts attributable for fiscal year 2018**	**Amounts due for fiscal year 2017**
(in euros)		
A- Cash Compensation		
Base salary	1,000,000	950,000
Annual incentive (at target for 2018)	1,300,000	1,882,140
Attendance fees	0	0
Sub total (A) (cash compensation)	**2,300,000**	**2,832,140**
B- Benefits in kind		
Valuation of the performance shares deemed acquired	[60,000 shares to be assessed]	N/A
Fringe benefit (car)	13,089	13,089
Sub total (B) (benefits in kind)	**13,089 + [60,000 shares]**	**13,089**
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**2,313,089 + [60,000 SHARES]**	**2,845,229**
C- Pension cash benefit		
Complementary payment for pension building (fixed amount)	191,600	182,000
Complementary payment for pension building (variable part) (at target for 2018)	249,080	361,000
Sub total (C) (pension cash benefit)	**440,680**	**543,000**
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**2,753,769 + [60,000 SHARES]**	**3,388,229**

Realized compensation and benefits (as per US standards)

Emmanuel Babeau Deputy Chief Executive Officer	**Amounts attributable for fiscal year 2018**	**Amounts due for fiscal year 2017**
(in euros)		
A- Cash Compensation		
Base salary	680,000	605,000
Annual incentive (at target for 2018)	680,000	922,020
Attendance fees	N/A	N/A
Sub total (A) (cash compensation)	**1,360,000**	**1,527,020**
B- Benefits in kind		
Valuation of the performance shares deemed acquired	[26,000 shares to be assessed]	N/A
Fringe benefit (car)	12,330	12,330
Sub total (B) (benefits in kind)	**12,330 + [26,000 shares]**	**12,330**
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**1,372,330 + [26,000 SHARES]**	**1,539,350**
C- Pension cash benefit		
Complementary payment for pension building (fixed amount)	153,300	136,400
Complementary payment for pension building (variable part) (at target for 2018)	153,300	207,873
Sub total (C) (pension cash benefit)	**306,600**	**344,273**
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**1,678,930 + [26,000 SHARES]**	**1,883,623**

Realizable performance share values as per IFRS 2 standards reported in the AFEP/MEDEF tables do not capture the discount for non-performance on internal criteria (*i.e.* all criteria except for relative TSR). Realized performance share values shown as per US standards must reflect the actual number of shares earned based on performance conditions and subject to presence conditions.

7.3.1 Principles and criteria governing Corporate Officers' compensation attributable for FY 2018

Base Salary

At its meeting of February 14, 2018, the board has decided financial year 2018 base salaries should increase for both Mr. Tricoire and Mr. Babeau.

Officer	**FY 2018 (as of 1/1/18)**	**FY 2017 (as of 1/1/17)**	**% Change**
Jean-Pascal Tricoire	€1,000,000	€950,000	5.3%
Emmanuel Babeau	€680,000	€605,000	12.4%

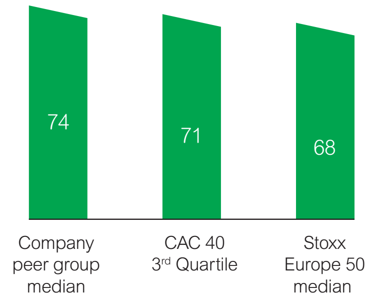
For 2018 Mr. Tricoire's last increase in base salary occurred in 2013 and the board deemed appropriate, in the light of the overall steady performance of the Group over the past five years, of the successfull diversification and expansion of the Group worldwide, and of its continuously increasing competitiveness as compared to its peers, to grant to Mr. Tricoire an increase of 5% of his total cash compensation at target.

No changes were made to the proportion in which Mr. Tricoire's annual incentive and complementary payments for pension building are set. On this basis and since 50% of Mr. Tricoire's compensation package is in the form of shares, this therefore represents an increase of approximately **2.5%** of his total compensation package at target.

Mindful of internal and external acceptance considerations, the board noted that:

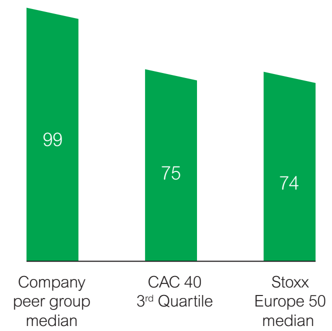
- The average compensation granted to the French employees over the past 5 years increased by 6.7%;
- The Enterprise Value of Schneider Electric grew by 20% over the same period;
- Mr. Tricoire's base salary represents on average less than 75% of the base salary of his peers from the selected Company peer group and the reference indices, as shown in this graph :

CHAIRMAN & CEO BASE SALARY COMPARED TO COMPANY PEER GROUP AND REFERENCE INDICES



While examining Mr. Babeau's situation, the Board paid also specific attention to the success of the merger of the industrial software business of Schneider Electric with Aveva and its consequences. Mr. Babeau's contribution was found to be key in the conclusion of the deal and he was therefore appointed non executive Deputy Chairman of the newly combined entity. As per the Group's internal rules, Mr. Babeau will not receive Aveva's attendance fees that he would otherwise be entitled to. The board therefore decided that Mr. Babeau's increased responsibilities should be compensated with a meaningful revision of his cash compensation, while remaining however within internal and external acceptance levels as well as within the range of his peers:

DEPUTY CEO & CFO BASE SALARY COMPARED TO COMPANY PEER GROUP AND REFERENCE INDICES



Annual Incentive

For 2018, the board proposes that the measurable financial objectives determine 84% of the variable compensation in cash of Messrs. Tricoire and Babeau (*vs.* 75% in 2017). Award targets for both Corporate Officers remain the same (130% and 100% of base salary respectively), and variable compensation may not exceed 260% of base salary for Mr. Tricoire and 200% of base salary for Mr. Babeau. The progression of the amount between 0% and these 2 limits is linear.

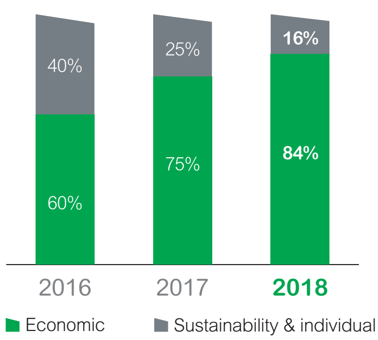
Officer	Target *(as a % of Base Salary)*	Award Target *(€)*	Minimum Target Achievement	Maximum Target Achievement *(%)*	Maximum Target Achievement *(€)*
Jean-Pascal Tricoire	130%	€1,300,000	0%	260%	€2,600,000
Emmanuel Babeau	100%	€680,000	0%	200%	€1,360,000

The board decided to align further the Group's strategy and the Corporate Officers' compensation and strengthen the relationship between pay and economic performance. To this end, the board reduced the individual objectives to 10% and increased the weight of the economic criteria linked to the company program to 24%, bringing the total weight of the transformational objectives of the company program to 30%, as reflected in the graphs below:

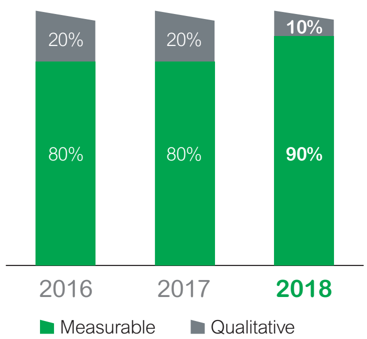
Weight		
84%	**Economic Criteria**	
60%	Group financial indicators	
	◆ Organic growth of the Group	30%
	◆ Adjusted EBITA margin (Org.) improvement	20%
	◆ Group cash conversion rate	10%
24%	Company Program economic priorities	
	◆ Field services (without process automation) sales growth	8%
	◆ Systems commercial margin (projects and equipment) improvement	8%
	◆ Digital index(1)	8%
6%	**Non-Economic Criteria**	
	◆ Planet and Society Barometer	6%
10%	**Individual Assessment by the board**	
	◆ Individual goals determined by the board based on the Company's strategic plan	10%
100%	**TOTAL**	**100%**

(1) The precise nature of this criteria is not disclosed to protect business confidentiality.

WEIGHT OF ECONOMIC CRITERIA



WEIGHT OF MESURABLE CRITERIA



Furthermore, in order to strictly align the objectives assigned to the Corporate Officers and the expectations of the shareholders, the board reiterates the rule whereby the targets are set in line with the objectives communicated to the market at the beginning of the year. The board however decided that it may envisage, if the circumstances demand for it, revising the financial targets of the economic criteria in the course of the year in case of a change in the guidance to the market.

The payment of the variable annual incentive will be conditioned upon the approval by the shareholders of the compensation granted to the concerned Corporate Officer. The Company does not operate a clawback policy.

Long-term incentive: Performance Shares

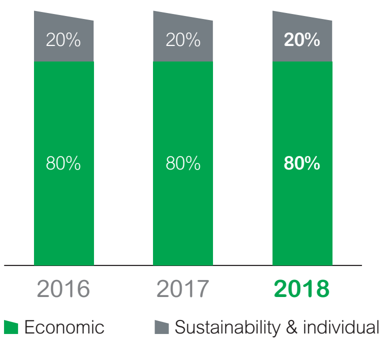
In order to align the interests of the Group's executives to those of the shareholders, the board allocates performance shares to more than 2,000 beneficiaries who hold positions as Group executives under Plans No. 30 and 31. These shares will be subject to a set of performance criteria that are measured over the long-term and combine financial indicators (65%), relative return on investment with the TSR objective (15%) and sustainable development (20%). The total number of shares that will be granted in 2018 was set at 2.4 million shares.

Since 2016, the final allocation of performance shares has been determined by the achievement of the assessed targets over a three-year period, which strengthens the alignment of executive compensation to the shareholders' long-term fundamental interests. Further, the shares in Plan No. 30, which are granted only to the Corporate Officers in consideration for their corporate office of Schneider Electric SE, will also be subject to a 1 year holding period on top of the 3 year vesting period.

100% of the allocation to the Group Senior Management is subject to performance conditions, pre-set by the board for each of the following objectives:

- For 40%, a target operating margin of adjusted EBITA for the 2018–2020 period;
- For 25%, a cash conversion target for the 2018–2020 period;
- For 15%, a TSR target linked to Schneider Electric's ranking in a panel of 12 companies by the end of 2020; and
- For 20%, the average annual progress of the Planet & Society Barometer for the 2018-2020 period.

WEIGHT OF ECONOMIC CRITERIA



WEIGHT OF MESURABLE CRITERIA

The target values of each of these objectives and the vesting rules are set by the board based on the guidance communicated to the market and will be detailed in the board's report at the Shareholders' Meeting once the acquisition period has lapsed.

In keeping with the previous plans, the board decided that it would allocate the following to the Corporate Officers in 2018:

Officer	Number of Shares (Plan No. 30)[1]	Number of Shares (Plan No. 31)
Jean-Pascal Tricoire	18,000	42,000
Emmanuel Babeau	7,800	18,200

(1) The performance shares granted only to Corporate Officers on account of their office, are subject to a 1-year additionnal holding period.

The volume of the distribution, which would remain unchanged, was set with consideration for:

- The total volume of the previous plans, with a view toward continuity of the incentive policy for executives and competitiveness;
- The number of shares allocated to other Group executives who are eligible to the same multi-year profit-sharing plan: for 2018, the number of shares that may be allocated to the Corporate Officers in accordance with Plans No. 30 and 31 would make up 3.6% of the total of the aforementioned plans; and
- The resulting cost for the Company.

The number of shares granted represents a cap. In no circumstance, even in case of overachievement of all targets, the number of shares acquired may exceed the number of shares granted.

Attendance Fees

Mr. Tricoire has waived the attendance fees to which he is entitled in his capacity of Chairman of the board in pursuance of the distribution rules adopted by the board.

In accordance with the Group internal rules, Mr. Babeau will not receive attendance fees from any directorship in Group companies.

Additional Cash Benefits for Pension Building

Since the board's decision in 2015 to move away from the "Art. 39" defined-benefit pension schemes due to the excessive cost of such "top hat" pension plans, the Corporate Officers have to build their own pension and to this end, are granted a combination of fixed and variable payments that are considered "other benefits" to ensure consistency and comparability with other French or international companies. The variable payment is aligned with the annual incentive in terms of criteria and rate. The Corporate Officers have committed to depositing these additional payments, after taxes, into investment vehicles dedicated to the supplementary financing of their pensions.

The amounts have been revised in proportion to the proposed increase of the base salary, and stand as follows:

Officer	Fixed portion *(€)*	Variable portion				*Total at Target (€)*
		Target	Award target	Min *(€)*	Max *(€)*	
Jean-Pascal Tricoire	€191,600	130%	€249,080	€0	€498,160	€440,680
Emmanuel Babeau	€153,300	100%	€153,300	€0	€306,600	€306,600

Other Benefits of Any Type

Employer Matching Contributions and Profit-Sharing

In financial year 2018, both Corporate Officers are eligible for profit-sharing and the employer matching contribution paid to subscribers to the capital increase reserved for employees.

Both Corporate Officers are also eligible for the employee matching contribution paid to subscribers to the collective pension fund (PERCO) for the retirement of workers in France.

Company Car and Travel Expenses

Travel and business expenses for Messrs. Tricoire and Babeau are covered by the Group. The Corporate Officers may use the cars made available to Group Senior Management with or without chauffeur services. In addition, each has been provided with a company car. Neither is eligible to be reimbursed for other costs.

7.3.2 Other Benefits Forming Part of the Status of the Corporate Officers (Regulated Agreements and Commitments)

Corporate officers	Work contract	Top-hat pension benefits	Payments or benefits that may be due in the event of termination or change of assignment	Payments in relation to a non-compete agreement
Jean-Pascal TRICOIRE Chairman and CEO	NO	NO(1)	YES	YES
Emmanuel BABEAU Deputy CEO	NO	NO(1)	YES	YES

(1) The board of directors of February 18, 2015 decided to put an end, for the Corporate Officers, to the benefit of the top-hat pension plan for Senior Management.

Termination and Change of Assignment Agreements

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 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 and amended on October 24, 2013.

However on this occasion, the board tightened the conditions under which benefits are granted to Mr. Tricoire if he leaves the Group. Accordingly, among other aspects, the performance conditions related to the Involuntary Severance Pay were made more stringent. In addition, Mr. Tricoire may retain the stock options and stock grants/performance stock grants allocated to him only in 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 Corporate Officers to their top-hat pension plan (article 39). The Shareholders' Meeting of April 21, 2015 approved this arrangement.

Regarding Emmanuel Babeau, the board of directors approved his status at the time of the change of governance. This status was aligned, with certain limitations/reservations related to his status as an employee of Schneider Electric Industries SAS, with that of Mr. Tricoire. The Shareholders' Meeting of May 6, 2014 approved Mr. Babeau's new status. However, since Mr. Babeau had resigned 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 loss the "article 39" and "artcle 83" supplementary pension schemes.

Since then, Mr. Babeau's status is fully aligned to that of Mr. Tricoire.

Following of Mr. Tricoire's re-election as a director at the Annual Shareholders' Meeting of April 25, 2017, the board decided to re-appoint both Mr. Tricoire and Mr. Babeau as, respectively, Chairman and Corporate Executive Officer and Deputy-Chief Executive Officer. Their status was reviewed in the light of the latest best governance practices. As a result:

- The only exception to the board's liberty to unilaterally waive the non-compete agreement in case of departure of the Corporate Officer has been removed (see Registration Document 2016, pages 169-170 and 176). The board now shall unilaterally decide at the time of departure of the Corporate Officer whether the non-compete agreement shall be enforced or waived;
- The Corporate Officers' right to retain shares and stock options from future plans that would remain unvested or unexercised at the time of their involuntary severance has been made proportionate to the time of their presence during the acquisition or exercise period of the concerned share-based benefits. In compliance with the AFEP/MEDEF corporate governance guidelines, the board may however decide, in a motivated resolution, that the departing Corporate Officer will be entitled, in specific circumstances, to keep all unvested shares or unexercised stock options, provided pre-set performance conditions are met.

Involuntary Severance Pay

Messrs. Tricoire and Babeau are entitled to Involuntary Severance Pay, at a maximum equal to twice the average of their effective annual compensation (fixed and variable part) (*i.e.* including compensation and complementary payments) for the last 3 years (in cash to the exclusion of all other components), authorized by the board (hereafter, "Maximum Amount"), taking into account the non-compete compensation, if any, and subject to the attainment of performance conditions.

The right to Involuntary Severance Pay shall be granted in the following circumstances:

i. Dismissal, non-renewal or resignation as CEO or Deputy CEO in the 6 months following a material change in Schneider Electric's shareholder structure that could change the membership of the board of directors;

ii. Dismissal, non-renewal or resignation as CEO or 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; and

iii. Dismissal, non-renewal or requested resignation as CEO or 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 4 financial years from the day of resignation.

The entitlement to 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 3 financial years preceding the date of the board meeting at which the decision is made.

If the achievement rate of the Group criteria are...	Then...
Less than 66%	No compensation shall be awarded to the Corporate Officer
66%	The Corporate Officer shall receive 75% of the Maximum Amount
Between 66 and 100%	The Corporate Officer shall receive compensation calculated on a linear basis at a rate of 75 to 100% of the Maximum Amount
At least 100%	The Corporate Officer shall receive 100% of the Maximum Amount

In any case, involuntary severance pay will not be paid if the resignation is a consequence of wrongful or gross misconduct.

Non-Compete Compensation

Both Corporate Officers are bound by a non-compete agreement in case of resignation from the Group. The 1 year agreement calls for compensation to be paid at 60% of annual fixed and target variable parts (*i.e.* including complementary payments).

In line with the recommendations of the AFEP/MEDEF Code, at its meeting of April 25, 2017 the board decided that, for any case of voluntary departure, it will determine whether or not to apply the non-compete clause.

Retention of Stock Options, Stock Grants and Performance Shares

Messrs. Tricoire and Babeau are entitled to retain, subject to performance conditions, the benefit of their stock options, stock grants and performance shares already granted on February 14, 2018 in the event of involuntary severance during the vesting period or prior to having exercised said options. The foregoing will be applicable provided only that:

- The average rate of achievement of Group performance criteria that determine the performance incentive calculated for the last 3 financial years at the time of departure, is at least two-thirds of the objective; and
- The resignation is not the result of wrongful or gross misconduct.

With respect to plans granted after February 14, 2018, Messrs. Tricoire and Babeau are entitled to keep the benefit of such attributions of restricted shares or stock options in case of involuntary severance during their acquisition period, or before exercising the options concerned, in proportion of the time of their presence with the Company in any capacity during the acquisition or exercise period of such restricted shares or stock options. Their entitlement will be subject to the fulfillment of the performance conditions determined in the Plan.

In case the Corporate Officer's involuntary departure results from any material change in Schneider Electric's shareholding structure or from a reorientation of the strategy pursued and promoted by him (both cases as defined in paragraphs i. and ii. in relation to Involuntary Severance Pay), the board may decide to grant him the right to keep the benefit of all such restricted shares or stock-options previously granted to him, provided however the arithmetic average rate of achievement of the Group performance objectives used to determine the annual incentive in cash for the last 3 financial years completed on the date of his departure, amounts to at least two-thirds of the target figure and that his departure is not the result of gross negligence or serious misconduct. The board will motivate its decision.

Health, Life and Disability schemes

As Corporate Officers, Messrs. Tricoire and Babeau are eligible to:

(i) The collective welfare plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS covering the risks of illness, incapacity, disability and death;

(ii) Additional coverage of the Group's French executives for risks of illness, incapacity, disability and death. The main features of this coverage are:

1) In case of illness or accident resulting in a temporary stoppage or incapacity (of any category), the Corporate Officer shall be entitled to continue to receive 18 months' worth of his compensation (fixed and target variable) authorized by the board,

2) In case of death, the policyholder's beneficiaries shall be entitled to the compensation (fixed and target variable) authorized by the board of directors for the current month, along with a death benefit equal to 6 months of the average compensation authorized by the board of directors (monthly average of the fixed and variable compensation paid during the last 12 months of employment);

(iii) The entitlement to a life annuity pension paid to the surviving spouse in the event of death before his retirement, or if he left the company after the age of 55 without returning to work, equal to 60% of 25% of the average of compensation paid during the 3 years before the date of death, with a deduction made from the theoretical pension payment that may be obtained under insurance conditions from the additional payments that will have been made;

(iv) In the event of disability causing him to completely stop working, the right to pension payments (payable to the surviving spouse at a rate of 60%) beginning from his retirement equal to 25% of the average of the total cash compensation paid over the 3 years preceding the date of disability minus 1.25% per quarter of absence so as to obtain a full rate of pension and minus the amount of additional compensation that may be obtained under insurance conditions at the time the disability occurred;

(v) In the event of an accident, the Group insurance covering the executives' accident risk, stipulating the payment of a benefit the sum of which may be up to 4 times the annual compensation based on the type and circumstances of the accident.

Eligibility for benefits (ii) through (v) above is conditional on the fulfilment of 1 of the following conditions:

- the average of the net income of the last 5 financial years preceding the event is positive;
- the average of the free cash flow of the last 5 financial years preceding the event is positive.

The status of the Corporate Officers as reiterated and amended by the board of directors is described in the Statutory Auditors' special Report prepared in accordance with article L.225-40 of the French Commercial Code which will be submitted to the shareholders for approval at the 2018 Annual General Meeting on April 24, 2018, under the 4th and 5th resolutions.

7.4 Compensation of members of the board of directors

Members of the board of directors

On April 25, 2017, the Annual Shareholders' Meeting set total attendance fees at EUR2,000,000 in order to include the specific fee paid to the Vice-chairman independent lead director, as per current market practices, and also to take into account the increase of the workload of the directors and to attract international competences.

To reflect the increased responsibilities of the board members and the specific time-commitment required from the directors who chair study committees, the board of directors reviewed the attendance fee allocation rules previously established and therefore adopted the following rules, applicable in 2017 (attendance fees paid in the financial year 2018):

a) for members of the board:

- a fixed sum of EUR25,000 (prorated, where appropriate, for any term that starts or ends during the year),
- an additional amount of:
  - EUR7,000 for attending Board meetings,
  - EUR5,000 for attending the meetings of the committees of which they are members;
- for each meeting of the board or of a committee that a board member physically attends, an additional sum of:
  - for intercontinental travel, EUR5,000 per meeting day (*e.g.* USA – France),
  - for intra-continental travels, EUR3,000 per meeting day (*e.g.* Switzerland – France);
- for the Chairperson of the Audit committee, an additional fixed compensation of EUR20,000 on a full-year basis,
- for the Chairperson of the Human Resources and CSR committee, additional fixed compensation of EUR15,000 on a full-year basis,
- for the Chairperson of the Strategy/Investment Committee, additional fixed compensation of EUR15,000 on a full-year basis,
- for the independent lead director, who is also the Chairperson of the Governance and remunerations committee, additional fixed compensation of EUR250,000 on a full-year basis (in conformity with what had been announced at the 2017 General Meeting);

b) for 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.

On this basis, applicable for the attendance fees earned in 2017 (the attendance fees earned in 2016 being subject to the former rules), and noting that Jean-Pascal Tricoire and Xiaoyun Ma waived payment of their attendance fees, attendance fees earned in 2016 and 2017 were as follows:

Members of the board	Amounts paid/due for fiscal year 2017[1]	Amounts paid/due for fiscal year 2016[1]
Mr. APOTHEKER		
Attendance fees	EUR337,233	EUR130,000
Other compensation:		
As per regulated agreement (until April 25, 2017)	EUR83,320	EUR250,000
Ms. ATKINS		
Attendance fees	EUR97,000	EUR84,000
Other compensation		
Ms. CABANIS		
Attendance fees	EUR110,753	EUR82,000
Other compensation		
Mr. FONTANET		
Attendance fees	EUR114,000	EUR74,000
Other compensation		
Mr. FORGEARD		
Attendance fees	-	EUR35,754
Other compensation		
Mr. GOSSET-GRAINVILLE		
Attendance fees	EUR97,000	EUR101,000
Other compensation		
Ms. HERBAUT[4]		
Attendance fees	EUR33,877	EUR86,000
Other compensation		
Mr. KIM		
Attendance fees	-	EUR40,754
Other compensation		
Mr. KINDLE		
Attendance fees	EUR138,000	EUR126,115
Other compensation		
Mr. KISSLING		
Attendance fees	EUR148,000	EUR140,000
Other compensation		
Ms. KNOLL		
Attendance fees	EUR186,000	EUR146,000
Other compensation		
Ms. KOPP		
Attendance fees	EUR89,000	EUR86,000
Other compensation		
Mr. DE LA MARTINIÈRE		
Attendance fees	EUR40,178	EUR116,000
Other compensation		

Members of the board	Amounts paid/due for fiscal year 2017[1]	Amounts paid/due for fiscal year 2016[1]
Mr. LACHMANN[2]		
Attendance fees	EUR25,000	EUR44,415
Pension (article 39)[3]	EUR581,969	EUR581,969
Mr. MONTIER[4]		
Attendance fees	EUR21,877	-
Other compensation		
Ms. SCHRODER		
Attendance fees	-	EUR820
Other compensation		
Mr. SPIERKEL		
Attendance fees	EUR159,000	EUR134,000
Other compensation		
Mr. THOMAN		
Attendance fees	-	EUR55,754
Other compensation		

(1) Attendance fees for the year are paid at the beginning of the following year.
(2) Non-voting member.
(3) Paid by the insurance company.
(4) Ms. Herbaut, Ms. Ma (who waived her right to receive attendance fees) and Mr. Montier, who are also employed by a Group subsidiary, receive compensation for such employment.

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, replacing Henri Lachmann. He was renewed as a director at the Shareholders' Meeting of April 25, 2016 and subsequently, in his position of 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, and approved the conclusion of a new regulated agreement which was approved by the shareholders at the Shareholders' Meeting of April 25, 2017. The said regulated agreement expired on April 25, 2017 and was not renewed. It has been decided that, in accordance with current market practices, the same amount would be paid in the form of an additional attendance fee, starting from the date of expiry of the regulated agreement (see report of the board of directors to the Annual Shareholders' Meeting of April 25, 2017, registration document 2016, page 320).

The board also provided that Léo Apotheker could, in the performance of his duties as Vice-chairman lead director, use certain resources of the Group's management.

The total amount of attendance fees due for 2017 represents EUR1,596,918, significantly below the maximum authorized by the Annual Shareholders' Meeting.

7.5 Compensation of Group Senior Management excluding Corporate Officers

Scope of Senior Management in 2017

On December 31, 2017, Senior Management includes the Chairman and CEO and Deputy CEO, assisted by Executive Committee members. The Executive Committee (14 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: Global Supply Chain – Digital – Strategy – Marketing – Global Human Resources
- Executive Vice-Presidents of Operations: North America Operations – China Operations – France Operations – Europe Operations – International Operations
- Executive Vice-Presidents of Activities: Building & IT – Industry – Energy.

Two Executive Committee members left the Group in 2017.

For the presentation of the compensation in this section, the Group Senior Management excludes the Corporate Officers, who were presented separately in section 7.2 above in accordance with applicable law.

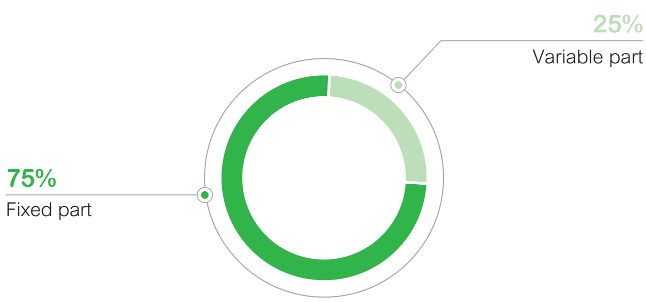
Compensation policy

The compensation principles of Group Senior Management (excluding the Corporate Officers) and their individual analyses are reviewed by the Human Resources and CSR committee for information and consultation with the board of directors.

The Human Resources and CSR committee may consult external experts for specific missions and analyses.

The compensation policy of the Group Senior Management follows the principles of competitiveness, pay-for-performance and alignment with shareholders' long-term interests as detailed in section 7.1 above for Corporate Officers, with the following specificities:

- The competitiveness of their compensation is considered into relation to a relevant panel considering the geography and the scope of responsibilities as set out by the consultancy firm Willis Towers Watson;
- The proportion of variable components within their compensation package is less than for the Corporate Officers: 75% vs. around 80% for the Corporate Officers.



Compensation paid in 2017

Gross compensation, including benefits in kind, paid by Group companies in 2017 to members of Group Senior Management other than Corporate Officers, but including members who left the Group, amounted to EUR20.3 million, including EUR6.8 million in variable compensation paid in the 2017 financial year. The objectives for Group results for the financial year in question were:

- Group organic sales growth;
- Improvement of Group Adj EBITA on sales (org.);
- Group cash conversion rate;
- Field services sales growth (without process automation);
- Systems gross margin;
- Digital index;
- Planet and Society Barometer.

Long-term incentive plans

Performance shares were granted in 2017.

As of December 31, 2017, as part of the annual long-term incentive plan, Group Senior Management other than senior Corporate Officers held:

- 546,163 shares, of which 375,500 are conditional;
- 113 options;
- 92,680 Stock Appreciation Rights (SARs).

Pension benefits

Schneider Electric policy concerning pension benefits states that:

- the Group's Senior Management not subject to the French Social Security System are covered by pension plan arrangements in line with local practices in their respective countries;
- the Group's Senior Management subject to the French Social Security system, with the exception of Corporate Officers, are covered by the supplementary defined-contribution pension (article 83) plans for employees, and/or Group Senior Management. Their defined-benefit pension plan (article 39) was cancelled on March 22, 2016.

7.6 Transactions on Schneider Electric SE shares by Corporate Officers and by closely associated persons during the 2017 financial year

Share Ownership Guidelines

Mr. Tricoire is required to hold Schneider Electric shares with a value representing at least 3 times his base salary. Mr. Babeau is required to hold shares with a value representing at least twice his base salary. The number of shares to be retained is determined at the beginning of the calendar year, based on the VWAP average stock price for the past calendar year. The situation of the Corporate Officers as of December 31, 2017 stands as follows:

Officer	Obligation for the FY 2017		Number of shares held (as of December 31, 2017)
	In value	In number[(1)]	
Jean-Pascal Tricoire	€2,850,000	50,925	442,568
Emmanuel Babeau	€1,210,000	21,621	76,326

(1) Average stock price (VWAP) for FY 2016: €55.965.

Transactions declared in application of article L.621-18-2 of the French Monetary and Financial Code

The following table details Schneider Electric stock transactions conducted by the Corporate Officers and those closely related to them:

Date	Name	Transaction Type	Unit Price	Total transaction amount
05/16/2017	Tricoire	Disposal	€146.751	€301,758[(1)]
06/19/2017	Tricoire	Disposal	€69.02	€2,070,699
06/20/2017	Tricoire	Exercise of *stock options*	€42	€1,983,408

(1) Disposal of shares in Schneider Electric 's FCPE equivalent to 4,273 Schneider Electric shares on the date of the transaction.

8. Regulated agreements and commitments

8.1 Agreements and commitments of the 2017 financial year, not approved by the Annual Shareholders' Meeting

Reiteration and amendment of the Corporate Officers' status (Mr. Jean-Pascal Tricoire and Mr. Emmanuel Babeau)

Pursuant to the provisions of the TEPA Act, at its meetings of April 25, June 18 and 19, 2013, October 24, 2013 and February 18, 2015, 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 the AFEP/MEDEF Code;
- adopted the status of Mr. Emmanuel Babeau at the level of Schneider Electric SE when he resigned from Schneider Electric Industries SAS;
- put an end, for the Corporate Officers, to the benefit of the top-hat pension schemes (Article 39) implemented in 1995 and 2012, except for the life and disability coverage (death, invalidity) provided thereunder.

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. On April 21, 2015, it approved their amendments as regards the withdrawal of the top-hat pension scheme (5th and 6th resolutions).

Since these decisions, Mr. Tricoire's and Mr. Babeau's status have been strictly aligned.

The board of directors at its meeting of April 25, 2017, held after the Annual Shareholders' Meeting, took note of the renewal of the directorship of Mr. Tricoire and subsequently decided to renew the terms of Mr. Tricoire and Mr. Babeau as, respectively, Chairman and CEO and Deputy CEO, and further, to reiterate the elements of the status granted to them, subject to an amendment concerning the right of the board of directors to waive unilaterally the non-compete agreement in case of departure of a Corporate Officer.

The board noted that the continuation of their functions under the same conditions of competitiveness, stability and exclusivity was essential to the implementation of the Group development strategy defined by the board and in the interest of the Group.

See chapter 8, page 345.

8.2 Agreements and commitments of the 2018 financial year

Amendment of the Corporate Officers' status (Mr. Jean-Pascal Tricoire and Mr. Emmanuel Babeau)

On February 14, 2018, the board further reviewed the status of the Corporate Officers and amended the scope of the right granted to them to retain, in case of involuntary severance, the free or performance shares or the stock options that would have been granted to them and that would have remained unvested or unexercised at the time of departure.

The Corporate Officers' right to retain shares and options granted as part of future plans (ie. plans issued after February 14, 2018), that would remain unvested or unexercised at the time of their involuntary severance, has been made proportionate to their time of presence within the Group during the vesting or acquisition period of the shares and options concerned. In accordance with the guidelines of the AFEP/MEDEF Corporate Governance Code, the board may however decide, in specific circumstances and via a motivated resolution, that the concerned corporate officer will be entitled to keep all shares or options granted, provided pre-set performance conditions are satisfied.

In pursuance of the changes made in April 2017 and February 2018 to the status of the Corporate Officers, their status is fully aligned with the recommendations of AMF and of the AFEP/MEDEF Corporate Governance Guidelines.

See chapter 8, page 345.

8.3 Agreements and commitments of the 2017 financial year approved by the Annual Shareholders' Meeting

None.

8.4 Agreements and commitments signed during previous years and approved by the Annual Shareholders' Meeting

Compensation of the Vice-chairman independent lead director

The board of directors, at its meeting of December 15, 2016, authorized the payment to Mr. Leo Apotheker of a sum of EUR 250,000 per year for the performance of his specific duties as Vice-chairman independent lead director as described in the articles of association and the board's internal regulations. This compensation, approved by the Annual Shareholders' Meeting of April 25, 2017, was paid in 2 instalments. It expired on April 25, 2017 and was not subsequently renewed.

See chapter 8, page 346.

9. Participation of shareholders to Shareholders' Meeting

The provisions of the articles of association providing for the specific modalities for shareholders to participate Shareholder's Meetings are described on pages 319-320.

10. Table summarizing outstanding delegations relating to share capital increases granted by the Shareholders' Meeting

The table summarizing the outstanding delegations granted by the Shareholders' Meeting in matters of share capital increases, in application of articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code, and stating the use of these delegations during the past financial year is described on pages 322-323.

11. Publication of information pursuant to article L.225-37-5 of the French Commercial Code

Items that could have an impact in the event of a public tender offer include:

- agreements calling for payments to the Corporate Officers (see page 206) 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 chapter 1 section 7.5 "Market risks" pages 51-52);
- statutory restrictions in the articles of association on the exercise of voting rights (see page 320) relating to the non-application of the ceiling on voting rights when a public tender offer is successfully completed.

4 Business review

1. Trends in Schneider Electric's core markets

1.1 Industry and machines manufacturers

In 2017 the industry market enjoyed a strong and broad-based recovery across the Globe.

Global machinery production has benefited from investments rebound in extraction, commodity processing and intermediate goods industries, and continuing growth in consumer led sectors.

In Western Europe, the market recovery was driven by both internal and external demand, supportive credit conditions and sharp decline in political uncertainty.

IIoT, Digitization and Cybersecurity were at the heart of discussions and they will go on driving the industry by allowing costs optimization with more creative and sustainable solutions, fit-for-purpose design and digital transformation of operations.

1.2 Non-residential and residential buildings

Non residential buildings

In Western Europe, increased business confidence played a major role in the market's recovery. In Germany, increased demand in the automotive and retail sectors led to the growth. In France, the market growth has improved, mainly thanks to the industrial, offices and retail segments. However, growth of public building segments remained negative.

In the US, the market continued its' upward path, driven by office, warehouse, healthcare and Educational segments. Construction in transportation equipment and chemical segments has contracted.

In India, non-residential construction benefited from improved business confidence and acceleration of foreign investments. In Australia, non-residential construction growth has eased.

In China, Non residential market growth has moderated, with higher growth in office buildings and shopping complexes than in manufacturing building.

Residential

In Western Europe, residential construction has continued to grow. In Germany, low interest rates and demand related to migration stimulated growth significantly. In France, the market has rebounded sharply, driven by the government housing policy (both for new construction and renovation) and low interest rates. On the supply side, the delay between construction starts and permits has increased.

In the US, market has continued its upward trajectory, albeit at a slowed pace than in 2016. Pace of expansion in housing starts cooled after several years of strong growth following the 2007-2009 market collapse. Reversely, renovation market accelerated in 2017, driven by adaptation of new standards in breakers and repairs works post hurricanes.

In India, residential construction picked up mainly due to pronounced government efforts to provide affordable housing through PPP's and incentives. In Australia, growth in residential construction was underpinned by an increase in demand coming from a high level of migration. Low costs of borrowing also encourage renovation activity. In Australia, the market has slowed down.

In China, Residential market continued to grow in 2017 beyond expectations, driven by Tier 2 to 4 cities.

Tier one cities market has declined is response to property cooling measures.

On the contrary, in Tier 3 & 4 cities, residential construction growth accelerated. The fear of missing out in the property price boom has created an urgency to buy and resulted in a strong growth in housing sales and then in housing starts.

Another major contributing factor was the Government shanty-town renovation programme which has involved local Governments building or contracting to build new low-income housing for residents.

1.3 Utilities and Infrastructures

Electrical Utilities

Global energy policies are accelerating the shift towards a New World of Energy, which will likely result in a gradual transformation of the regulation, mission and business models of electric utilities. World-wide electricity consumption is back to growth, but only in non-OECD countries. In mature economies, energy efficiency gains on the demand side have resulted in a flat or decreasing consumption trend.

The integration of decentralized renewables, mainly in the form of rooftop PV and onshore wind farms is challenging T&D utilities for their core planning and operation duties. Electricity self-consumption from prosumers will require changes to be made to traditional utility revenue model to allow them to invest in necessary network reinforcement and build next-generation control systems in order to maintain reliability and system security, while preparing for an ever increasing penetration of distributed energy resources, including a significant amount of electric vehicles.

Power generation investment priorities have shifted to renewable energy, involving traditional utility investors as well as private investors (IPP), with a greater participation of individual prosumers or energy communities

Global investment in the utility sector remains healthy in all geographies, both in the mature economies where system transformation and renewable integration are the key drivers, as well as in new economies where generation and network capacity build-up are essential. Digital technologies are expanding at a faster pace throughout the utility industry to meet those new challenges.

Oil & Gas

The Brent oil price ended the year 2017 at a high point, close to USD70, with an average price around USD54 for the year, in strong growth versus 2016.

The major industry players have been engaged in a dramatic reduction in their operating cost structures which have given a profitable position at a USD50 oil price for new projects. Many are claiming their breakeven costs are below USD40. The improved cost position was achieved both by structural cost reduction but also by more creative and sustainable ways to optimize, fit-for-purpose design and digital transformation of operations.

At the current oil price and with the industry cost reductions and improved operation, we expect renewed investments and increased profitability.

The industry majors continue to be selective in their investments, while optimizing their portfolios. The portfolio shift to gas assets is becoming clearer as is the establishment of exploratory positions in renewables.

1.4 Data centers and Networks

Compute demand continued to shift from on-premise to off-premise computing. That is, enterprises moving their compute load to either leased space in colocation, where they house their own IT equipment, or to Internet Giants, where they are renting platforms, infrastructure and other products as a service. To add to this shift, the continued growth of social media and ecommerce have triggered even more growth in the off-premise market. Enterprises continue to maintain hybrid environments between existing on-premise facilities and the off-premise market through colocation service providers. With its strong portfolio and global footprint, Schneider Electric is well positioned for all markets of the hybrid data center environment and brings the strengths of our Low Voltage/Medium Voltage, Building management and IT business to serve those clients under the EcoStruxure for datacenter architecture.

As internet usage continues to grow in bandwidth intensive applications including video, social media, augmented reality and the increasing adoption of the Internet of Things there will be an increased need for compute and storage at the edge of the network. Schneider is a leader in distributed IT environments and with its modular systems coupled with EcoStruxure IT software is in a strong position to capture this next wave of computing.

The market for secure power in commercial and industrial applications rebounded in 2017 showing strong growth in emerging markets. Applications within the Oil & Gas, Transportation and Healthcare segments in particular led in the recovery of the market. With strong presence in key segments coupled with its global footprint, Schneider continues to be well position in the commercial and industrial market.

Software and services remained strong in 2017 and led growth for the IT Division. Digital platforms such as EcoStruxure IT continued to gain market momentum, enabling protection of customers' most critical equipment through smart alarming, remote troubleshooting and data-driven insights. Delivered by experts monitoring connected data center assets 24/7 our software provides visibility and live data directly to customers' smartphones.

2. Review of the consolidated financial statements

2.1 Review of business and consolidated statement of income

Acquisitions & divestments in 2016

On December 14, 2015, Schneider Electric announced that it has signed an agreement to sell its Transportation business, to Kapsch TrafficCom AG. On March 31st, 2016, the transaction was finalized with a final sale price established at EUR31 million.

No acquisitions occurred in 2016 that had a significant impact on the 2017 financial statements.

Acquisitions & divestments during the year

On April 3rd, 2017, the Group announced that it has signed an agreement to sell its Telvent DTN business, to TBG AG. On May 31st, 2017, the transaction was finalized with a final base sale price established at USD900 million.

On July 27th 2017, Schneider Electric announced that it has signed an agreement to acquire Asco Power Technologies ("ASCO"), a leader in the Automatic Transfer Switch ("ATS") market for a consideration of circa USD1,250 million in an all cash transaction. The transaction was finalized on October 31st, 2017. ASCO has been consolidated in full consolidation method in the Low Voltage (Building) business since November 1st, 2017.

Discontinued operations

On April 20, 2017, the Group announced the disposal of its Solar activity. At the end of this ongoing process, the Group will have a minority representation on Solar's board. This activity used to be reported within the Low Voltage (Building) business segment of Schneider Electric. Solar activity net income (EUR(25) million) and the estimated loss incurred from the disposal of the business (EUR(69) million) have been reclassified to discontinued operations in the Group consolidated financial statements. The comparative information has been restated.

Changes in foreign exchange rates

Changes in foreign exchange rates relative to the euro had a negative impact over the year. This effect amounts to negative EUR388 million on consolidated revenue and to negative EUR124 million on adjusted EBITA(1).

Revenue

On December 31st, 2017, the consolidated revenue of Schneider Electric totaled EUR24,743 million, an increase of 1.2% at current scope and exchange rates compared to EUR24,459 million on December 31st, 2016.

This variance breaks down into an organic increase of 3.2%, a net scope effect of -0.4% and a negative exchange rate effect of -1.6%, primarily due to the depreciation of the US dollar and the Chinese yuan against the euro.

2.2 Changes in revenue by operating segment

The Low Voltage (Building) business generated revenues of EUR10,812 million, or 43% of the consolidated total. This represents an increase of +3.3% on a reported basis, and an increase of **+4.4%** on a like-for-like basis, with growth across all regions, supported by new product launches and commercial actions. Final Distribution & Wiring Devices reported a solid growth. The Group's offers for Commercial & Industrial Buildings markets grew across all regions, in particular in North America. Focus on Energy Efficiency contributed to growth in Western Europe across countries and in Asia. China and Rest of the World posted a strong growth.

The Industrial Automation (Industry) business generated revenues of EUR5,816 million, or 24% of the consolidated total. This represents an increase of +6.0% on a reported basis and an increase of **+5.9%** on a like-for-like basis. Industrial Automation reported growth in all the regions, with a strong performance in products and OEM, driven by channel initiatives. Process Automation get back to growth as O&G stabilized and benefits from good dynamics in some process & hybrid segments. Western Europe grew across the region as OEM demand remain favorable. In Germany, Industrial automation posted strong growth thanks to product sales through partners and good project execution. In Asia-Pacific, Industrial Automation was up due to continued strength in industrial demand from machine manufacturers and end-users, with notably China performing strongly. North America was up with the US and Canada growing while Mexico declined. Rest of the World was up, driven mainly by Middle-East.

(1) 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.

The Medium Voltage (Infrastructure) business generated revenues of EUR4,500 million, or 18% of the consolidated total. This represents a decrease of -8.5% on a reported basis, mainly due to the disposal of DTN, and a decrease of **-2.2%** on a like-for-like basis, impacted by selectivity initiatives on projects. Services revenues were stable but orders were up mid-single digit. North America decreased, while China posted a strong growth. Western Europe was flat, with growth in France. Rest of the World was impacted by Middle-East which suffered from a weak Oil & Gaz sector.

The Secure Power (IT) business generated revenues of EUR3,615 million, or 15% of the consolidated total. This represents an increase of +0.7% in a reported basis and an increase of **+2.1%** on a like-for-like basis. The Datacenter market, led by Secure Power channel, benefitted to the whole portfolio of the Group, with notably a double-digit growth on Low & Medium Voltage technologies. New Economies reported strong growth up to 7%, while Mature declined slightly. Services posted a good growth.

2.3 Gross profit

Gross profit increased from EUR9,358 million for the year ended December 31, 2016 to EUR9,498 million for the year ended December 31, 2017, or +1.5%, mainly due to an increase in productivity and actions on prices. As a percentage of revenues, the gross margin remained stable at 38.4% in 2017 (*versus* 38.3% in 2016).

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 4.9% from EUR527 million for the year ended December 31, 2016 to EUR501 million for the year ended December 31, 2017. As a percentage of revenues, the net cost of research and development decreased at 2.0% of revenues for the year ended December 31, 2017 (2.2% for the year ended December 31, 2016).

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) decreased by 2.2% from EUR1,209 million for the year ended December 31, 2016 to EUR1,183 million for the year ended December 31, 2017. As a percentage of revenues, total research and development expenses remained stable at 4.8% for the year ended December 31, 2017 (4.9% for the year ended December 31, 2016).

In 2017, the net effect of capitalized development costs and amortization of capitalized development costs amounted to EUR62 million on operating income *versus* EUR97 million in 2016.

Selling, general and administrative expenses increased by 0.2% from EUR5,333 million for the year ended December 31, 2016 to EUR5,346 million for the year ended December 31, 2017. As a percentage of revenues, selling, general and administrative expenses decreased from 21.8% in 2016 to 21.6% in 2017.

Combined total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR5,847 million for the year ended December 31, 2017 compared to EUR5,860 million for the year ended December 31, 2016, a decrease of 0.2%. The support function costs to sales ratio decreased from 24.0% for the year ended December 31, 2016 to 23.6% for the year ended December 31, 2017.

2.5 Other operating income and expenses

For the year ended December 31, 2017, other operating income and expenses amounted to a net loss of EUR15 million, mainly due to the impairment losses on assets (EUR92 million), costs linked to acquisitions from previous years and disposals in the period (EUR75 million), a EUR103 million gain on the curtailment and settlement of employee benefit plans in the USA and in France, and a EUR 108 million gain on asset disposals (mainly the disposal of Telvent DTN).

For the year ended December 31, 2016, other operating income and expenses amounted to a net loss of EUR63 million, mainly due to the impairment losses on assets (EUR87 million), costs linked to acquisitions from previous years and disposals in the period (EUR36 million), a EUR31 million gain on the curtailment of employee benefit plans in the USA and in Switzerland, and provisions release following a transactional agreement.

2.6 Restructuring costs

For the year ended December 31, 2017, restructuring costs amounted to EUR286 million compared to EUR309 million for the year ended December 31, 2016.

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 EUR3,651 million for the year ended December 31, 2017, compared to EUR3,498 million for the year ended December 31, 2016, representing an increase of 4.4%, with gross profit expansion combined with tight control of support function costs more than offsetting the negative impact from foreign exchange outlined in section 2.1. As a percentage of revenue, adjusted EBITA increased from 14.3% for the year ended December 31, 2016 to 14.8% for the year ended December 31, 2017.

EBITA increased by 7.1% from EUR3,126 million for the year ended December 31, 2016 to EUR3,350 million for the year ended December 31, 2017, mainly linked to the Adjusted EBITA improvement, combined with higher gains on employee benefit curtailments and settlements in 2017 and, higher restructuring expenses in 2016. As a percentage of revenue, EBITA increased to 13.5% in 2017 compared with 12.8% in 2016.

2.8 Adjusted EBITA by business segment

The following table sets out EBITA and adjusted EBITA by business segment:

Full year 2017

(in millions of euros)	***Low Voltage (Building)***	***Industrial Automation (Industry)***	***Medium Voltage (Infrastructure)***	***Secure Power (IT)***	**Corporate costs**	**Total**
Revenue	10,812	5,816	4,500	3,615	-	24,743
Adjusted EBITA*	2,232	1,021	449	600	(651)	3,651
Adjusted EBITA%	20.6%	17.6%	10.0%	16.6%	-	14.8%

* *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Full year 2016*

(in millions of euros)	***Low Voltage (Building)***	***Industrial Automation (Industry)***	***Medium Voltage (Infrastructure)***	***Secure Power (IT)***	**Corporate costs**	**Total**
Revenue	10,466	5,485	4,919	3,589	-	24,459
Adjusted EBITA**	2,117	918	477	604	(618)	3,498
Adjusted EBITA%	20.2%	16.7%	9.7%	16.8%	-	14.3%

* *2016 figures were restated for discontinued operations, as noted in section 2.1.*
** *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Low Voltage (Building) business recorded an adjusted EBITA margin of 20.6% for the year ended December 31, 2017, up 0.4 pt compared to 20.2% for the year ended December 31, 2016, thanks to sales organic growth and strong productivity.

Industrial Automation (Industry) business recorded an adjusted EBITA margin of 17.6% for the year ended December 31, 2017, up 0.9 pt compared to 16.7% for the year ended December 31, 2016, benefiting from improved volumes.

Medium Voltage (Infrastructure) business recorded an adjusted EBITA margin of 10.0% for the year ended December 31, 2017, up 0.3 pt compared to 9.7% for the year ended December 31, 2016, thanks to higher system gross margin and strong cost control.

Secure Power (IT) business reported an adjusted EBITA margin of 16.6% for the year ended December 31, 2017, down 0.2 pt compared with 16.8% margin for the year ended December 31, 2016, resilient at high level.

Corporate costs amounted to EUR651 million for the year ended December 31, 2017 or 2.6% of Group revenues, a slight increase compared to the year ended December 31, 2016 (2.5% of Group revenues or EUR618 million).

2.9 Operating income (EBIT)

Operating income (EBIT) increased from EUR2,975 million for the year ended December 31, 2016 to EUR3,210 million for the year ended December 31, 2017. This 7.9% increase is explained mainly by the EBITA improvement.

2.10 Net financial income/loss

Net financial loss amounted to EUR367 million for the year ended December 31, 2017, compared to EUR462 million for the year ended December 31, 2016. The decrease in the net financial loss is mainly explained by the losses generated by the foreign exchange decreasing by EUR35 million, supplemented by a decrease in the cost of net financial debt from EUR272 million for year ended December 31, 2016 to EUR219 million for the year ended December 31, 2017.

2.11 Tax

The effective tax rate was 21.1% for the year ended December 31, 2017, a decrease compared to 28.6% for the year ended December 31, 2016. The corresponding tax expense decreased from EUR719 million for the year ended December 31, 2016 to EUR600 million for the year ended December 31, 2017.

In 2017, the tax reforms in the USA and in Belgium, as well as the additional reform in France, led together to a positive adjustment in the P&L for EUR12 million. This adjustment represents the Group's best estimate of the impact of those reforms.

In 2016, the planned reduction of the Corporate Income Tax rate in France from 34.43% to 28.92% following the passing of the Finance Bill 2017 ("Loi de finances 2017") leads to a negative adjustment of the P&L at the end of 2016 for EUR(119) million.

2.12 Share of profit/(losses) of associates

The share of profit of associates increased from EUR34 million for the year ended December 31, 2016 to EUR61 million for the year ended December 31, 2017 mainly due to an increase in net income attributable to Delixi.

2.13 Non-controlling interests

Non-controlling interests in net income for the year ended December 31, 2017 totaled EUR60 million, compared to EUR61 million for the year ended December 31, 2016. This represented the share in net income attributable, in large part, to the non-controlling interests of certain Chinese companies.

2.14 Profit for the period

Profit for the period attributable to the equity holders of the parent company amounted to EUR2,150 million for the year ended December 31, 2017, that is, a 22.9% increase over the EUR1,750 million profit for the year ended December 31, 2016, mainly due to the improvement in EBITA described in note 2.9.

2.15 Earnings per share

Earnings per share increased from EUR3.12 for the year ended December 31, 2016 to EUR3.85 for the year ended December 31, 2017.

2.16 Consolidated cash-flow

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities amounted to EUR3,020 million for the year ended December 31, 2017, up 2.2% compared to EUR2,956 million for the year ended December 31, 2016, and represented 12.2% of revenue in 2017 compared with 12.1% in 2016.

The change in working capital used EUR79 million in cash in the year ended December 31, 2017, compared to EUR1 million generated in the year ended December 31, 2016.

In all, net cash provided by operating activities decreased by 0.5% from EUR2,957 million in the year ended December 31, 2016 to EUR2,941 million in the year ended December 31, 2017.

Investing Activities

Net capital expenditure, which included capitalized development projects, decreased by 7.2% to EUR688 million for the year ended December 31, 2017, compared to EUR741 million for the year ended December 31, 2016, and represented 2.8% of revenues in 2017 (3.0% in 2016).

Free cash-flow (cash provided by operating activities net of net capital expenditure) amounted to EUR2,253 million in 2017 *versus* EUR2,216 million in 2016.

Cash conversion rate (free cash-flow over net income attributable to the equity holders of the parent company on continuing operations) was 105% in 2017 versus 118% in 2016 (adjusted for the impact of tax adjustments described in note 2.11).

The effect of acquisitions and divestments during the year was a net cash outflow amounting to EUR416 million in 2017. Our acquisitions and divestments represented a net cash inflow of EUR47 million for the year ended December 31, 2016, corresponding mainly to the disposals described in note 2.1.

Financing Activities

In 2017, the Group reimbursed bonds for EUR1,025 million and issued a bond in euros for EUR740 million.

The net increase in other financial debts amounted to EUR111 million during the year ended December 31, 2017, compared to a net decrease in other financial debts amounting to EUR794 million during the year ended December 31, 2016. The dividend paid by Schneider Electric was EUR1,133 million in the year ended December 31, 2017, compared with EUR1,127 million in the year ended December 31, 2016.

The Group purchased minority interests for EUR 141 million in 2017.

3. Review of the parent company financial statements

Schneider Electric SE posted an operating loss of EUR14 million in 2017 compared with EUR16 million the previous year.

Interest expense net of interest income amounted to EUR106 million *versus* EUR128 million the previous year.

Current loss amounted to EUR28 million in 2017 compared to a current loss of EUR162 million in 2016.

The net profit stood at EUR121 million in 2017 compared with a net loss of EUR100 million in 2016.

Equity before appropriation of net profit amounted to EUR7,893 million at December 31, 2017 *versus* EUR8,745 million at the previous year-end, after taking into account 2017 loss, dividend payments of EUR1,133 million and share issues in an amount of EUR160 million.

4. Review of subsidiaries

Schneider Electric Industries SAS

Revenue totaled EUR3.5 billion in 2017 (EUR3.2 billion in 2016).

The subsidiary posted an operating gain of EUR94 million in 2017 compared with an operating gain of EUR115 million in 2016.

Net profit amounted to EUR1.2 billion in 2017 compared with EUR264 million of net profit in 2016.

5. Outlook

In a positive environment, the Group targets to deliver strong organic growth of adjusted EBITA in 2018, around the high-end of the +4% to +7% bracket earlier communicated as the average yearly objective for 2017-2019.

To deliver this strong performance the Group will balance both levers of organic top line growth and adj. EBITA margin expansion. Therefore, for 2018, the Group will target:

- an organic top line growth between +3% to +5%; and
- an organic adj. EBITA margin expansion towards the upper end of the +20bps to +50bps range targeted as yearly average improvement for 2017-2019.

Consolidated financial statements at December 31, 2017

5

1. Consolidated statement of income

(in millions of euros except for earnings per share)	Note	Full year 2017	Full year 2016*
Revenue	**3**	**24,743**	**24,459**
Cost of sales		(15,245)	(15,101)
Gross profit		**9,498**	**9,358**
Research and development	4	(501)	(527)
Selling, general and administrative expenses		(5,346)	(5,333)
EBITA adjusted**	**3**	**3,651**	**3,498**
Other operating income and expenses	6	(15)	(63)
Restructuring costs	7	(286)	(309)
EBITA***		**3,350**	**3,126**
Amortization and impairment of purchase accounting intangibles	8	(140)	(151)
Operating income		**3,210**	**2,975**
Interest income		51	41
Interest expense		(270)	(313)
Finance costs, net		**(219)**	**(272)**
Other financial income and expense	9	(148)	(190)
Net financial income/(loss)		**(367)**	**(462)**
Profit from continuing operations before income tax		**2,843**	**2,513**
Income tax expense	10	(600)	(719)
Income of discontinued operations, net of income tax		(94)	(17)
Share of profit/(loss) of associates	14	61	34
PROFIT FOR THE PERIOD		**2,210**	**1,811**
◆ attributable to owners of the parent		2,150	1,750
◆ attributable to non-controlling interests		60	61
Basic earnings (attributable to owners of the parent) per share *(in euros per share)*	21.2	3.85	3.12
Diluted earnings (attributable to owners of the parent) per share *(in euros per share)*		3.81	3.09

* *2016 figures were restated for discontinued operations disclosed in note 1.*
** *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)	Note	Full year 2017	Full year 2016
Profit for the year		**2,210**	**1,811**
Other Comprehensive Income:			
Translation adjustment		(1,517)	(43)
Cash-flow hedges		(94)	30
Income tax effect of cash-flow hedges	21.6	32	(12)
Net gains (losses) on financial assets		(6)	4
Income tax effect of net gains (losses) on financial assets	21.6	-	-
Actuarial gains (losses) on defined benefit plans	22.1	48	(426)
Income tax effect of Actuarial gains (losses) on defined benefit plans	21.6	(182)	59
Other Comprehensive Income for the year, net of tax		**(1,719)**	**(388)**
of which to be recycled in income statement		(1,585)	22
of which not to be recycled in income statement		(134)	(410)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**491**	**1,423**
Attributable:			
◆ to owners of the parent		445	1,363
◆ to non-controlling interests		46	60

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 2017	Full year 2016*
Profit for the year		**2,210**	**1,811**
Losses/(gains) from discontinued operations		94	17
Share of (profit)/losses of associates, net of dividends received		(61)	(34)
Income and expenses with no effect on cash flow			
Depreciation of property, plant and equipment	13	387	386
Amortization of intangible assets other than goodwill	12	399	447
Impairment losses on non-current assets		68	106
Increase/(decrease) in provisions	23	(69)	(112)
Losses/(gains) on disposals of assets		(93)	17
Difference between tax paid and tax expense		48	188
Other non-cash adjustments		37	130
Net cash provided by operating activities		**3,020**	**2,956**
Decrease/(increase) in accounts receivable		(257)	(17)
Decrease/(increase) in inventories and work in progress		(173)	93
(Decrease)/increase in accounts payable		304	(21)
Other current assets and liabilities		47	(54)
Change in working capital requirement		**(79)**	**1**
Total I – Cash flows from operating activities		**2,941**	**2,957**
Purchases of property, plant and equipment	13	(434)	(476)
Proceeds from disposals of property, plant and equipment		61	81
Purchases of intangible assets	12	(315)	(360)
Proceeds from disposals of intangible assets		-	14
Net cash used by investment in operating assets		**(688)**	**(741)**
Net financial investments	2.2	(416)	47
Other long-term investments		26	44
Increase in long-term pension assets		(160)	(111)
Sub-total		**(550)**	**(20)**
Total II – Cash flows from/(used in) investing activities		**(1,238)**	**(761)**
Issuance of bonds	24	740	800
Repayment of bonds	24	(1,025)	(672)
Sale/(purchase) of own shares		(171)	(853)
Increase/(decrease) in other financial debt		111	(794)
Increase/(decrease) of shares capital		161	164
Dividends paid by Schneider Electric SE	21	(1,133)	(1,127)
Dividends paid to non-controlling interests		(64)	(100)
Purchases of minority interests	2.2	(141)	-
Total III – Cash flows from/(used in) financing activities		**(1,522)**	**(2,582)**
Total IV – Net foreign exchange difference		**(33)**	**77**
Total V – Effect of discontinued operations		**89**	**(10)**
Increase/(decrease) in net cash and cash equivalents: I + II + III + IV + V		**237**	**(319)**
Net cash and cash equivalents at January 1		2,530	2,849
Increase/(decrease) in cash and cash equivalents		237	(319)
NET CASH AND CASH EQUIVALENTS AT DECEMBER 31	**20**	**2,767**	**2,530**

* *2016 figures were restated for discontinued operations disclosed in note 1.*
The accompanying notes are an integral part of the consolidated financial statements.

3. Consolidated balance sheet

Assets

(in millions of euros)	Note	Dec. 31, 2017	Dec. 31, 2016
NON-CURRENT ASSETS			
Goodwill, net	11	16,423	17,785
Intangible assets, net	12	4,335	4,574
Property, plant and equipment, net	13	2,490	2,642
Total tangible and intangible assets		6,825	7,216
Investments in associates	14	547	601
Non-current financial assets	15	436	539
Deferred tax assets	16	2,097	2,573
Total non-current assets		**26,328**	**28,714**
CURRENT ASSETS			
Inventories and work in progress	17	2,844	2,876
Trade and other operating receivables	18	5,763	5,929
Other receivables and prepaid expenses	19	1,693	1,507
Current financial assets	15	32	30
Cash and cash equivalents	20	3,045	2,795
Total current assets		**13,377**	**13,137**
Assets of discontinued operations		**144**	**-**
TOTAL ASSETS		**39,849**	**41,851**

The accompanying notes are an integral part of the consolidated financial statements.

Liabilities

(in millions of euros)	Note	Dec. 31, 2017	Dec. 31, 2016
Equity	**21**		
Share capital		2,388	2,370
Additional paid-in capital		5,147	6,232
Retained earnings		12,768	10,895
Translation reserve		(506)	997
Equity attributable to owners of the parent		**19,797**	**20,494**
Non-controlling interests		145	159
Total equity		**19,942**	**20,653**
Non-current provisions			
Pensions and other post-employment benefit obligations	22	1,783	2,229
Other non-current provisions	23	1,431	1,650
Total non-current provisions		**3,214**	**3,879**
Non-current financial liabilities			
Bonds	24	5,626	5,721
Other non-current debt	24	24	45
Non-current financial liabilities		5,650	5,766
Deferred tax liabilities	16	996	1,367
Other non-current liabilities	25	10	142
Total non-current liabilities		**9,870**	**11,154**
Current liabilities			
Trade and other operating payables		4,148	4,146
Accrued taxes and payroll costs		2,250	2,006
Current provisions	23	842	857
Other current liabilities		1,018	1,182
Current debt	24	1,691	1,853
Total current liabilities		**9,949**	**10,044**
Liabilities of discontinued operations		**88**	**-**
TOTAL EQUITY AND LIABILITIES		**39,849**	**41,851**

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. 1st, 2016	**588,734**	**2,355**	**7,267**	**(1,027)**	**11,214**	**1,039**	**20,848**	**441**	**21,289**
Profit for the year					1,750		1,750	61	1,811
Other Comprehensive Income					(345)	(42)	(387)	(1)	(388)
Comprehensive income for the year					1,405	(42)	1,363	60	1,423
Capital increase	2,843	11	119				130		130
Exercise of stock option plans and performance shares	922	4	30				34		34
Dividends			(1,127)				(1,127)	(100)	(1,227)
Change in treasury shares				(853)			(853)		(853)
Share-based compensation expense					118		118		118
Other			(57)		38		(19)	(242)*	(261)
Dec. 31, 2016 published	**592,499**	**2,370**	**6,232**	**(1,880)**	**12,775**	**997**	**20,494**	**159**	**20,653**
IFRS 9 restatement**					(100)		(100)		(100)
Jan. 1st, 2017 restated	**592,499**	**2,370**	**6,232**	**(1,880)**	**12,675**	**997**	**20,394**	**159**	**20,553**
Profit for the year					2,150		2,150	60	2,210
Other Comprehensive Income					(202)	(1,503)	(1,705)	(14)	(1,719)
Comprehensive income for the year					1,948	(1,503)	445	46	491
Capital increase	2,413	10	132				142		142
Exercise of stock option plans and performance shares	2,004	8	16		(6)		18		18
Dividends			(1,133)				(1,133)	(64)	(1,197)
Change in treasury shares				(154)	(17)		(171)		(171)
Share-based compensation expense					102		102		102
Other			(100)	(119)	219		-	4	4
DEC. 31, 2017	**596,916**	**2,388**	**5,147**	**(2,153)**	**14,921**	**(506)**	**19,797**	**145**	**19,942**

* *The EUR242 million decrease in non-controlling interests mainly results from the deconsolidation of Delixi.*
** *2017 opening retained earnings were restated from IFRS 9 adoption impacts disclosed in note 1.*
The accompanying notes are an integral part of the consolidated financial statements.

5. Notes to the consolidated financial statements

PLEASE NOTE

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, 2017 were drawn up by the board of directors on February 14, 2018. They will be submitted to shareholders for approval at the Annual General Meeting of April 24, 2018.

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, 2017. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2016, except for the partial early adoption of the new standard IFRS 9 – *Financial instruments*.

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, 2017:

- amendments to IAS 7 – Statement of Cash Flows – Disclosure initiative;
- amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses.

The Group did not apply the following standards and interpretations for which mandatory application is subsequent to December 31, 2017:

- standards adopted by the European Union:
  - amendments to IFRS 4: Apply IFRS 9 Financial instruments with IFRS 4 Insurance contracts,
  - IFRS 16 – Leases,
  - IFRS 15 – Clarifications,
  - IFRS 15 – *Revenue from Contracts with Customers;*
- standards not yet adopted by the European Union:
  - IFRS 17 – *Insurance Contracts,*
  - annual Improvements to IFRSs 2014-2016 Cycle (December 2016),
  - amendments to IAS 40 – Transfers of Investment Property,
  - IFRIC 23 – Uncertainty over Income Tax Treatments,
  - IFRIC 22 – Foreign Currency Transactions and Advance Consideration,
  - amendments to IFRS 2 – Share-based payment – Classification and Measurement,
  - amendments to IFRS 9 – Prepayment Features with Negative Compensation,
  - amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures,
  - annual Improvements to IFRSs 2015-2017 Cycle (December 2017),
  - amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

There are no differences in practice between the standards applied by Schneider Electric as of December 31, 2017 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 (see below).

Early application of IFRS 9 – *Financial Instruments*

IFRS 9, "Financial Instruments", released by the IASB in July 2014 and adopted by the European Union on November 29, 2016, replaces IAS 39 "Financial Instruments: Recognition and Measurement" with mandatory application from January 1st, 2018. The new standard introduces new principles for classification and measurement of financial instruments, impairment for credit risk on financial assets, and hedge accounting.

The new standard is comprised of several phases (see below). Phase 1 and 2 have been applied retrospectively as of January 1st, 2017. The 2016 comparative figures have not been restated as permitted by the IFRS 9 standard.

Phase 1 - Classification and measurement of financial assets and liabilities

The impact of IFRS 9 for the Group is mainly related to the removal of the category financial assets available for sale, which allowed under IAS 39 to record instruments at fair value through "Other Comprehensive Income" with recycling in income statement upon sale. Under IFRS 9, all financial instruments whose cash-flows do not represent solely payment of principal and interests (SPPI), shall be recorded at fair value through income statement. However, IFRS 9 allows an irrevocable option to be made at inception to record equity instruments at fair value through "Other Comprehensive Income" with no subsequent recycling in income statement even upon sale (only dividends are recorded in income statement).

The following financial assets are impacted by the removal of the available for sale category:

- Portfolio of equity investments: the Group elected to record those investments at fair value through "Other Comprehensive Income" with no subsequent recycling in income statement.
- Venture capital (FCPR) / Mutual funds (SICAV): the only accounting treatment allowed by IFRS 9 is to record them at fair value through income statement.

The application of this phase had no significant impact on the Group financial statements (note 1.12 and note 15).

Phase 2 - Impairment of financial assets

IFRS 9 introduces a prospective model based on expected losses (*i.e.* the probability that the counterparty will default in a given time horizon) to be applied on financial assets, whereas the previous IAS 39 model required recognition of a provision only when a loss has incurred (non-payment or late payments).

The risk analysis and assessment carried out by the Group on the financial assets (especially trade receivables, notes receivables, and loans) has demonstrated that it would be more accurate and appropriate to use IFRS 9 expected losses model rather than IAS 39 incurred losses model. Therefore, the Group has decided to early apply IFRS 9 in 2017.

The credit risk of trade receivables was assessed on a collective basis country by country, as the geographical origin of receivables is considered representative of their risk profile. Countries were classified by risk profile using the assessment provided by an external agency. The provision for expected credit losses was evaluated using (i) the probabilities of default communicated by a credit agency, (ii) historical default rates, (iii) ageing balance, (iv) as well as the Group's assessment of the credit risk taking into account guarantees and credit insurance. For the loans, the IFRS 9 provision has been determined on a case by case basis.

The resulting additional bad debt allowance impact on the balance sheet is EUR100 million net of deferred tax (recorded against the opening equity).

Phase 3 – Hedge accounting

In accordance with IFRS 9 (paragraph 6.1.3), the Group decided to keep applying IAS 39 hedge accounting requirements.

Application of IFRS 15 – *Revenue from contracts with customers* in 2018

On October 2016, the European Union adopted IFRS 15 "Revenue from Contracts with Customers", which must be applied from January 2018 at the latest. The Group has not opted for early adoption of this standard.

The Group has performed analysis on each of the revenue streams described in note 1.24: transactional sales, service revenue and long-term contracts.

For transactional and services revenue, no significant impact is expected with regards to current practices, as revenue is recognised when or as performances obligations are satisfied.

Regarding long-term contracts, IFRS 15 requires that both the existence of enforceable right to payment and the absence of alternative use are demonstrated, to be able to recognise revenue over time using the percentage of completion method. The Group has analysed a representative sample of current contracts. This analysis has proven that the application of IFRS 15 requirements would have no significant impact in comparison with the current accounting practices. However, the Group has adjusted its long-term contracts internal processes to comply fully with all IFRS 15 requirements.

In conclusion, based on the global analysis performed by the Group found that there is no significant deviation from IFRS 15 new requirements regarding revenue recognition. Therefore, the Group does not expect any significant impacts from the application of IFRS 15 in 2018.

Application of IFRS 16 – *Leases* in 2019

IFRS 16 "Leases" will be mandatory for financial years beginning on or after January 1st, 2019. This standard requires all leases other than short-term leases and leases of low-value assets to be recognised in the lessee's balance sheet in the form of a right-of-use asset, with a corresponding financial liability. Currently, leases classified as "operating leases" are reported as off-balance sheet items (see note 13.3).

The Group is currently analysing further the impacts on the financial statements.

1.2 – Application of IFRS 5 – *Non-current assets held for sale and discontinued operations*

On April 20, 2017, the Group announced the disposal of its Solar activity. At the end of this ongoing process, the Group will have a minority representation on Solar's board. This activity used to be reported within the *Low Voltage (Building)* business segment of Schneider Electric. Solar activity net income (EUR(25) million) and the estimated loss incurred from the disposal of the business (EUR(69) million) have been reclassified to discontinued operations in the Group consolidated financial statements. The comparative information has been restated.

1.3 – Basis of presentation

The financial statements have been prepared on a historical cost basis, except for derivative instruments and certain 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 1.9) and the measurement of the goodwill impairment (note 1.11);
- 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 progress (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 and charges, in particular for warranties (note 1.21);
- the measurement of pension and other post-employment benefit obligations (note 1.19 and note 22);
- the measurement of deferred tax assets related to carry-forward losses (note 16).

1.5 – Consolidation principles

Significant 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 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 main 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 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 generally 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, from the date of the commercial launch. 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 7.1% at December 31, 2017 (7.3% at December 31, 2016). This rate is based on (i) a long-term interest rate of 1.21%, 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 2017, and (iii) the weighted country risk premium for the Group's businesses in the countries in question (for CGUs WACC only).

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 *Low Voltage (Building), Medium Voltage (Infrastructure), Industrial Automation (Industry)* and *Secure Power (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 (Building, 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 7.8% for *Low Voltage (Building)*, 7.9% for *Industrial Automation (Industry)*, 8.0% for *Secure Power (IT)*, or and 8.2% for *Medium Voltage (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 initially recorded at their cost of acquisition and subsequently measured at fair value. 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).

IFRS 9 standard allows two accounting treatments for equity instruments:

- fair value is recognised through "Other Comprehensive Income", in the comprehensive Income statement, and, in balance sheet, in equity under "Other reserves", with no subsequent recycling in the income statement even upon sale;
- fair value, as well as gain or loss in case of sale, are recognised in the income statement.

The election between those two methods is to be made from inception for each equity investment and is irrevocable.

Venture capital (FCPR)/Mutual funds (SICAV) are recognised at fair value through income statement, in accordance with IFRS 9.

Loans, recorded under "Other non-current financial assets", are carried at amortized cost. In accordance with IFRS 9, a depreciation is booked from inception to reflect the expected credit risk losses within 12 months. In case of significant degradation of the credit quality, the initial level of depreciation is modified to cover the entire expected losses over the remaining maturity of the loan.

1.13 – Inventories and work in progress

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

Trade and other operating receivables are depreciated according to the simplified IFRS 9 model. From inception, trade receivables are depreciated to the extent of the expected losses over their remaining maturity.

The credit risk of trade receivables is assessed on a collective basis country by country, as the geographical origin of receivables is considered representative of their risk profile. Countries are classified by risk profile using the assessment provided by an external agency. The provision for expected credit losses is evaluated using (i) the probabilities of default communicated by a credit agency, (ii) historical default rates, (iii) ageing balance, (iv) as well as the Group's assessment of the credit risk taking into account guarantees and credit insurance

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 lower 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 21.4).

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, 2017, unchanged from December 31, 2016.

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 clean-up 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.

In accordance with the IFRS 9 (paragraph 6.1.3), the Group decided to continue applying IAS 39 hedge accounting requirements.

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 transactional sales and revenues from services and contracts.

Transactional 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, 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, 2017 enclose the financial statements of 561 companies. The principal companies are listed in the note 32. The scope of consolidation for the year ended December 31, 2017 can be summarized as follows:

Number of active companies	Dec. 31, 2017	Dec. 31, 2016
Parent company and fully consolidated subsidiaries	546	547
Companies accounted for by the equity method	15	13
TOTAL	**561**	**560**

2.1 – Follow-up on acquisitions and divestments occurred in 2016 with significant effect in 2017

Acquisitions

No acquisition occurred in 2016 that had a significant impact on 2017 financial statements.

Disposals

On December 14, 2015, Schneider Electric announced that it has signed an agreement to sell its Transportation Business, to Kapsch TrafficCom AG. On March 31, 2016, the transaction was finalized with a final sale price established at EUR31 million.

2.2 – Acquisitions and divestments occurred during the year

Acquisitions

On July 27th 2017, Schneider Electric announced that it has signed an agreement to acquire Asco Power Technologies ("ASCO"), a leader in the Automatic Transfer Switch ("ATS") market for a consideration of circa USD1,250 million in an all cash transaction. The transaction was finalized on October 31st, 2017. ASCO is fully consolidated in the Low Voltage (Building) business since November 1st, 2017. The purchase accounting resulting from the acquisition of ASCO is not completed at the closing date. As at December 31st, 2017, the Group recognized intangible assets for a preliminary amount of EUR506 million (trademark, patents and customer relationship), based on the most recent valuation available before the acquisition. The goodwill is not tax deductible.

Besides, the Group also acquired the minority interest of Luminous.

Disposals

On April 3rd, 2017, the Group announced that it has signed an agreement to sell its Telvent DTN business, to TBG AG. On May 31st, 2017, the transaction was finalized with a final base sale price established at USD900 million.

Cash-flows impacts

The effect of acquisitions and divestments during the year is a net cash outflow amounting to EUR557 million in 2017:

(in millions of euros)	**Dec. 31, 2017**	**Dec. 31, 2016**
Acquisitions	(1,165)	(64)
Purchase of minority interests	(141)	-
Disposals	749	111
NET FINANCIAL INVESTMENT	**(557)**	**47**

In 2017, the cash inflow from disposals is mainly related to the price received for the Telvent DTN divestment. The cash outflow from acquisition is mainly related to the price paid for ASCO.

In 2016, the cash inflow from disposals is mainly related to the price received for the Telvent Transportation divestment.

NOTE 3 Segment information

The Group is organized in four businesses: *Low Voltage (Building), Medium Voltage (Infrastructure), Industrial Automation (Industry)* and *Secure Power (IT)*:

- ***Low Voltage (Building)*** provides 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;
- ***Medium Voltage (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;
- ***Industrial Automation (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;
- ***Secure Power (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 2017

(in millions of euros)	*Low Voltage (Building)*	*Industrial Automation (Industry)*	*Medium Voltage (Infrastructure)*	*Secure Power (IT)*	Corporate costs	Total
Revenue	10,812	5,816	4,500	3,615	-	24,743
Adjusted EBITA*	2,232	1,021	449	600	(651)	3,651
Adjusted EBITA (%)	20.6%	17.6%	10.0%	16.6%	-	14.8%

* *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Full year 2016*

(in millions of euros)	*Low Voltage (Building)*	*Industrial Automation (Industry)*	*Medium Voltage (Infrastructure)*	*Secure Power (IT)*	Corporate costs	Total
Revenue	10,466	5,485	4,919	3,589	-	24,459
Adjusted EBITA**	2,117	918	477	604	(618)	3,498
Adjusted EBITA (%)	20.2%	16.7%	9.7%	16.8%	-	14.3%

* *2016 figures were restated for discontinued operations disclosed in note 1.*
** *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

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, 2017

	Western Europe	*of which France*	North America	*of which USA*	Asia-Pacific	*of which China*	Rest of the world	Total
Revenue by country market	6,731	1,654	6,794	5,741	6,866	3,256	4,352	24,743
Non-current assets	8,793	1,717	9,278	7,408	3,894	949	1,283	23,248

Dec. 31, 2016*

	Western Europe	*of which France*	North America	*of which USA*	Asia-Pacific	*of which China*	Rest of the world	Total
Revenue by country market	6,699	1,668	6,811	5,744	6,617	3,055	4,332	24,459
Non-current assets	9,114	1,712	10,264	8,064	4,257	1,022	1,366	25,001

* *2016 figures were restated for discontinued operations disclosed in note 1.*

Moreover, the Group follows the share of new economies by revenue:

	Full year 2017		Full year 2016*	
Revenue – Mature countries	14,327	58%	14,336	59%
Revenue – New economies	10,416	42%	10,123	41%
TOTAL	**24,743**	**100%**	**24,459**	**100%**

* *2016 figures were restated for discontinued operations disclosed in note 1.*

3.3 – Degree of dependence in relation to main customers

No single customer accounts for more than 10% of consolidated revenue.

NOTE 4 Research and development

Research and development costs break down as follows:

	Full year 2017	Full year 2016*
Research and development costs in cost of sales	(382)	(348)
Research and development costs in R&D costs(1)	(501)	(527)
Capitalized development costs	(300)	(334)
TOTAL RESEARCH AND DEVELOPMENT COSTS IN THE YEAR	**(1,183)**	**(1,209)**

* *2016 figures were restated for discontinued operations disclosed in note 1.*
(1) Of which EUR41 million of research and development tax credits in full year 2017, EUR35 million in full year 2016.

Amortization of capitalized development costs amounted to EUR238 million for the 2017 financial year, compared with EUR237 million in 2016.

NOTE 5 Depreciation and amortization expenses

Depreciation and amortization expenses recognized in operating expenses were as follows:

	Full year 2017	Full year 2016*
Included in cost of sales:		
Depreciation and amortization	(518)	(525)
Included in selling, general and administrative expenses:		
Depreciation and amortization	(151)	(117)
DEPRECIATION AND AMORTIZATION EXPENSES	**(669)**	**(642)**

* *2016 figures were restated for discontinued operations disclosed in note 1.*

NOTE 6 Other operating income and expenses

Other operating income and expenses break down as follows:

	Full year 2017	Full year 2016
Impairment losses on assets	(92)	(87)
Gains on asset disposals	108	8
Losses on asset disposals	(8)	(42)
Costs of acquisitions	(75)	(36)
Pension plan curtailments and settlements	103	31
Others	(51)	63
OTHER OPERATING INCOME AND EXPENSES	**(15)**	**(63)**

In 2017, gains on asset disposals mostly include the impact of the disposal of Telvent DTN business.

The line "Pension plan curtailments and settlements" includes mainly provision releases in the USA and France in 2017; and in 2016 in the USA and Switzerland.

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions and disposals from 2016 to 2017.

Others in 2017 includes mainly provisions for litigation on non-operating expenses. Others in 2016 includes mainly the release of a provision against a legal claim which was settled in the first half of 2016.

NOTE 7 Restructuring costs

Restructuring costs totalled EUR286 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 2017	Full year 2016*
Amortization of purchase accounting intangibles	(117)	(151)
Impairment of purchase accounting intangibles	(23)	-
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	**(140)**	**(151)**

* *2016 figures were restated for discontinued operations disclosed in note 1.*

Impairment tests performed in 2017 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 2017	Full year 2016
Exchange gains and losses, net	(24)	(59)
Financial component of defined benefit plan costs	(69)	(74)
Dividends received	2	5
Fair value adjustment of financial assets	(2)	(2)
Other financial expense, net	(55)	(60)
OTHER FINANCIAL INCOME AND EXPENSE	**(148)**	**(190)**

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 2017	Full year 2016*
CURRENT TAXES		
France	(26)	(205)
International	(655)	(387)
Total	**(681)**	**(592)**
DEFERRED TAXES		
France	10	30
International	71	(157)
Total	**81**	**(127)**
INCOME TAX (EXPENSE)/BENEFIT	**(600)**	**(719)**

* *2016 figures were restated for discontinued operations disclosed in note 1.*

In 2017, the tax reforms in the USA and in Belgium, as well as the additional reform in France, led together to a positive adjustment in the P&L for EUR12 million. This impact represents the Group's best estimate of those reforms on the deferred tax positions as at December 31,2017.

In 2016, the planned reduction of the Corporate Income Tax rate in France from 34.43% to 28.92% following the passing of the Finance Bill 2017 ("Loi de finances 2017") leads to a negative adjustment of the P&L at the end of 2016 for EUR(119) million. This is to account for the adjustment downward of the net deferred tax assets corresponding mainly to past tax losses in France.

10.2 – Tax proof

	Full year 2017	Full year 2016*
Profit attributable to owners of the parent	**2,150**	**1,750**
Income of discontinued operations, net of income tax	(94)	(17)
Income tax (expense)/benefit	(600)	(719)
Non-controlling interests	(60)	(61)
Share of profit of associates	61	34
Profit before tax	**2,843**	**2,513**
Geographical weighted average Group tax rate	27.5%	27.0%
Reconciling items:		
Theoretical income tax expense	**(782)**	**(679)**
Difference between theoretical and effective tax rates		
Tax credits and other tax reductions	126	97
Impact of tax losses	(31)	(29)
Other permanent differences	75	11
Income tax (expense)/benefit before impact from tax reforms	**(612)**	**(600)**
EFFECTIVE TAX RATE BEFORE IMPACT FROM TAX REFORMS	**21.5%**	**23.9%**
Impact from the USA, French and Belgian tax reform in 2017 and French tax reform in 2016**	**12**	**(119)**
INCOME TAX (EXPENSE)/BENEFIT	**(600)**	**(719)**
EFFECTIVE TAX RATE	**21.1%**	**28.6%**

* *2016 figures were restated for discontinued operations disclosed in note 1.*
** *Cf. note 10.1.*

Theoretical tax expense from continuing operations is reconciled above from the Company's weighted-average global tax rate (rather than from the French domestic statutory tax rate), as the Company's consolidated income from continuing operations is predominantly generated outside of France.

NOTE 11 Goodwill

11.1 – Main items of goodwill

Group goodwill is broken down by business as follows:

	Dec. 31, 2017, net	Dec. 31, 2016, net
Low Voltage (Building)	5,647	5,518
Industrial Automation (Industry)	5,763	6,383
Secure Power (IT)	3,136	3,353
Medium Voltage (Infrastructure)	1,877	2,531
TOTAL	**16,423**	**17,785**

11.2 – Movements during the year

The main movements during the year are summarized as follows:

	Full year 2017	Full year 2016
Net goodwill at opening	**17,785**	**17,781**
Acquisitions	716	9
Disposals	(536)	(384)
Impairment	-	-
Translation adjustment	(1,489)	379
Reclassifications	(53)	-
Net goodwill at year end	**16,423**	**17,785**
Included cumulative impairment	**(354)**	**(392)**

Acquisitions

Goodwill generated by acquisitions made during the year totalled EUR716 million, mainly from ASCO preliminary goodwill, allocated to the CGU Low Voltage (Building). Goodwill disposals in 2017 totalled EUR536 million and mainly relate to the disposal of Telvent DTN business.

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, 2015	**3,006**	**879**	**2,478**	**2,567**	**8,930**
Acquisitions	-	24	348	2	374
Disposals	-	(35)	(3)	(7)	(45)
Translation adjustments	81	4	36	48	169
Reclassification	-	28	(23)	-	5
Changes in scope of consolidation and other	(3)	(12)	(36)	(137)	(188)
Dec. 31, 2016	**3,084**	**888**	**2,800**	**2,473**	**9,245**
Acquisitions	-	-	314	1	315
Disposals	-	-	-	-	-
Translation adjustments	(319)	(20)	(99)	(272)	(710)
Reclassification	-	7	(90)	(38)	(121)
Changes in scope of consolidation and other	112	(14)	(82)	327	343
DEC. 31, 2017	**2,877**	**861**	**2,843**	**2,491**	**9,072**

	Trademarks	Software	Development projects (R&D)	Other	Total
AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2015	**(765)**	**(728)**	**(1,226)**	**(1,485)**	**(4,204)**
Depreciation	(6)	(55)	(243)	(148)	(452)
Impairment	-	(18)	(65)	-	(83)
Reversal of depreciation and impairment	5	28	32	(3)	62
Translation adjustments	(9)	(3)	(20)	(31)	(63)
Reclassification	(4)	-	4	-	-
Changes in scope of consolidation and other	3	11	13	42	69
Dec. 31, 2016	**(776)**	**(765)**	**(1,505)**	**(1,625)**	**(4,671)**
Depreciation	(10)	(50)	(235)	(104)	(399)
Impairment	(22)	(4)	(64)	(1)	(91)
Reversal of depreciation and impairment	-	-	-	-	-
Translation adjustments	48	16	55	129	248
Reclassification	-	-	10	35	45
Changes in scope of consolidation and other	-	41	77	13	131
DEC.31, 2017	**(760)**	**(762)**	**(1,662)**	**(1,553)**	**(4,737)**

	Trademarks	Software	Development projects (R&D)	Other	Total
NET VALUE					
Dec. 31, 2015	**2,241**	**151**	**1,252**	**1,082**	**4,726**
Dec. 31, 2016	2,308	123	1,295	848	4,574
DEC. 31, 2017	**2,117**	**99**	**1,181**	**938**	**4,335**

In 2017, change in intangible assets is mainly related to R&D capitalized development costs for EUR298 million.

The amortization and impairment of intangible assets other than goodwill restated at statutory cash flow were as follows:

Cash impact	Dec. 31, 2017	Dec. 31, 2016*
Amortization of intangible assets other than goodwill	399	447
Impairment on intangible assets other than goodwill and others	91	82
TOTAL**	**490**	**529**

* *2016 figures were restated for discontinued operations disclosed in note 1.*
** *Includes amortization & impairment of intangible assets from purchase price allocation for EUR140 million for the year 2017 and EUR151 million for the year 2016 (disclosed in note 8).*

12.2 – Trademarks

At December 31, 2017, the main trademarks recognized were as follows:

	Dec. 31, 2017	Dec. 31, 2016
APC (Secure Power *(IT)*)	1,533	1,745
Clipsal (Low Voltage *(Building)*)	166	174
Asco (Low Voltage *(Building)*)*	132	-
Pelco (Low Voltage *(Building)*)	117	158
Invensys – Triconex and Foxboro (Industrial Automation *(Industry)*)	46	52
Digital (Industrial Automation *(Industry)*)	40	44
Other	83	134
NET	**2,117**	**2,308**

* *Preliminary trademark assessment.*

The brand Pelco has been impaired for a total of EUR318 million since its acquisition by the Group.

All the above trademarks are considered to have an indefinite life.

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, 2015	**209**	**1,906**	**4,418**	**1,072**	**7,605**
Acquisitions	-	299	130	56	485
Disposals	(47)	(65)	(217)	(46)	(375)
Translation adjustments	1	13	23	8	45
Reclassification	8	(128)	118	(13)	(15)
Changes in scope of consolidation and other	-	(65)	(49)	(5)	(119)
Dec. 31, 2016	**171**	**1,960**	**4,423**	**1,072**	**7,626**
Acquisitions	-	270	128	49	447
Disposals	(6)	(96)	(116)	(43)	(261)
Translation adjustments	(8)	(100)	(205)	(47)	(360)
Reclassification	(3)	(174)	110	2	(65)
Changes in scope of consolidation and other	(1)	(14)	12	(27)	(30)
DEC. 31, 2017	**153**	**1,846**	**4,352**	**1,006**	**7,357**

	Land	Buildings	Machinery and equipment	Other	Total
AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2015	**(29)**	**(907)**	**(3,353)**	**(587)**	**(4,876)**
Depreciations and impairment	(1)	(89)	(272)	(59)	(421)
Recapture	10	31	203	32	276
Translation adjustments	-	(3)	(15)	(4)	(22)
Reclassification	-	2	(6)	9	5
Changes in scope of consolidation and other	-	18	25	11	54
Dec. 31, 2016	**(20)**	**(948)**	**(3,418)**	**(598)**	**(4,984)**
Depreciations and impairment	(1)	(69)	(257)	(60)	(387)
Recapture	1	37	121	39	198
Translation adjustments	1	36	147	35	219
Reclassification	1	16	6	12	35
Changes in scope of consolidation and other	1	22	5	24	52
DEC. 31, 2017	**(17)**	**(906)**	**(3,396)**	**(548)**	**(4,867)**

NET VALUE					
Dec. 31, 2015	180	999	1,065	485	2,729
Dec. 31, 2016	151	1,012	1,005	474	2,642
DEC. 31, 2017	**136**	**940**	**956**	**458**	**2,490**

Reclassifications primarily correspond to assets put into use.

The cash impact of purchases of property, plant and equipment in 2017 was as follows:

Cash impact of purchases of property, plant and equipment	Dec. 31, 2017	Dec. 31, 2016*
Increase in property, plant and equipment	(447)	(476)
Changes in receivables and liabilities on property, plant and equipment	13	-
TOTAL	**(434)**	**(476)**

* *2016 figures were restated for discontinued operations disclosed in note 1.*

The depreciation and impairment of property, plant and equipment restated in the statement of cash flows were as follows:

Cash impact	Dec. 31, 2017	Dec. 31, 2016*
Depreciation of property, plant and equipment	387	386
Impairment of property, plant and equipment	-	33
TOTAL	**387**	**419**

* *2016 figures were restated for discontinued operations disclosed in note 1.*

13.2 – Finance leases

Property, plant and equipment primarily include the following finance leases:

	Dec. 31, 2017	Dec. 31, 2016
Buildings	10	11
Machinery and equipment	30	31
Other property, plant and equipment	1	2
Accumulated depreciation	(40)	(41)
ASSETS UNDER FINANCE LEASE	**1**	**3**

There were no future minimum rental commitments on finance leases properties as at December 31, 2017.

13.3 – Operating leases

Rental expense breaks down as follows:

	Full year 2017	Full year 2016
Minimum rentals	112	112
Sub-lease rentals	5	5
TOTAL RENTAL EXPENSE	**117**	**117**

Operating lease commitments break down as follows at December 31, 2017:

	Minimum payments	Discounted minimum payments
Less than one year	139	137
Between one and five years	361	346
Five years and more	96	87
TOTAL COMMITMENTS	**596**	**570**
Discounting effect	(26)	-
Discounted minimum payments	**570**	**570**

NOTE 14 Investments in associates

Investments in associates can be analyzed as follows:

	% Interest		Share net assets		Net income/(Loss)	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Delixi	50.0%	50.0%	278	279	39	25
Fuji Electric FA Components & Systems	36.8%	36.8%	116	115	16	11
Sunten Electric Equipment	25.0%	25.0%	48	52	1	(4)
Telvent DMS, LLC power engineering	57.0%	57.0%	44	40	2	3
InnoVista Sensors (formerly Custom Sensors & Technologies Topco Limited)	30.0%	30.0%	27	77	2	(7)
Delta Dore Finance	20.0%	20.0%	19	18	1	1
Others	-	-	15	20	-	5
TOTAL	**-**	**-**	**547**	**601**	**61**	**34**

NOTE 15 Total current and non-current financial assets

15.1 – Non-current financial assets

Non-current financial assets, primarily comprising investments, are detailed below:

		Dec. 31, 2017			Dec. 31, 2016
	% interest	Acquisition cost	Revaluation	Fair value	Fair value
I – LISTED FINANCIAL ASSETS					
NVC Lighting	9.0%	123	(100)	23	35
Gold Peak Industries Holding Ltd	4.4%	6	(3)	3	3
Total listed financial assets		**129**	**(103)**	**26**	**38**
II – UNLISTED FINANCIAL ASSETS					
FCPR SEV1	100%	6	9	15	17
FCPR Aster II (part A, B and C)	43.8%	33	(7)	26	23
FCPR Growth	100%	36	-	36	32
FCPI Energy Access Ventures Fund	34.6%	5	(2)	3	3
SICAV SESS	63.1%	10	1	11	11
SICAV Livelihoods Fund SIF	15.2%	3	-	3	3
Renewable Choice Energy Inc.(1)	100%	-	-	-	20
Raise Fundation	4.8%	9	-	9	9
Shenzhen Aster	30.4%	13	-	13	-
Foundries(2)	100%	7	-	7	-
Others(3)		9	(3)	6	5
Total unlisted financial assets		**131**	**(2)**	**129**	**123**
Pensions assets		**182**	**-**	**182**	**247**
Other		**99**	**-**	**99**	**131**
TOTAL NON-CURRENT FINANCIAL ASSETS		**541**	**(105)**	**436**	**539**

(1) Company consolidated in 2017.
(2) Company purchased in 2017.
(3) Unit gross value lower than EUR3 million.

Changes in fair value for NVC Lighting and Gold Peak Industries Holding Ltd are recorded through "Other Comprehensive Income" since 2017 (note 1.2). Gains or losses realized upon sale will be maintained in "Other Comprehensive Income" (no recycling in income statement).

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. In 2016, the cumulated change in fair value of NVC Lighting investment, determined based on its price share, corresponded to a loss of value of EUR106 million at closing rate, and had been recorded in the income statement.

15.2 – Current financial assets

Current financial assets total EUR32 million at December 31, 2017 and include short-term investments in pension funds.

NOTE 16 Deferred taxes by type

Deferred taxes by type can be analyzed as follows:

	Dec. 31, 2017	Dec. 31, 2016
Tax credits and tax loss carryforwards (net)	683	947
Provisions for pensions and other post-retirement benefit obligations (net)	332	444
Non-deductible provisions for contingencies and accruals (net)	273	296
Differences between tax and accounting depreciation on tangible assets (net)	(45)	(116)
Differences between tax and accounting amortization on intangible assets (net)	(625)	(749)
Differences on working capital (net)	277	271
Deferred tax at other/reduced tax rates	63	123
Other deferred tax assets/(liabilities) (net)	143	(10)
TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)	**1,101**	**1,206**
Of which:		
Total deferred tax assets	**2,097**	**2,573**
Total deferred tax liabilities	**(996)**	**(1,367)**

Deferred tax assets recorded in respect of tax loss carried forward at December 31, 2017 essentially concern France (EUR531 million).

NOTE 17 Inventories and work in progress

Inventories and work in progress changed as follows:

	Dec. 31, 2017	Dec. 31, 2016
COST		
Raw materials	1,218	1,247
Production work in progress	263	277
Semi-finished and finished products	1,142	1,146
Goods	407	416
Solution work in progress	135	154
INVENTORIES AND WORK IN PROGRESS AT COST	**3,165**	**3,240**
IMPAIRMENT		
Raw materials	(154)	(162)
Production work in progress	(5)	(7)
Semi-finished and finished products	(150)	(176)
Goods	(7)	(11)
Solution work in progress	(5)	(8)
IMPAIRMENT LOSS	**(321)**	**(364)**
NET		
Raw materials	1,064	1,085
Production work in progress	258	270
Semi-finished and finished products	992	970
Goods	400	405
Solution work in progress	130	146
INVENTORIES AND WORK IN PROGRESS, NET	**2,844**	**2,876**

NOTE 18 Trade accounts receivable

	Dec. 31, 2017	Dec. 31, 2016
Accounts receivable	5,833	5,957
Notes receivable	293	257
Advances to suppliers	115	123
Accounts receivable at cost	**6,241**	**6,337**
Impairment	(478)	(408)
Accounts receivable, net	**5,763**	**5,929**
Of which:		
On time	4,880	5,028
Less than one month past due	408	420
One to two months past due	181	169
Two to three months past due	81	96
Three to four months past due	74	62
More than four months past due	139	154
ACCOUNTS RECEIVABLE, NET	**5,763**	**5,929**

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 2017	Full year 2016
Provisions for impairment on January 1*	**(531)**	**(473)**
Additions	(89)	(35)
Utilizations	52	32
Reversals of surplus provisions	44	28
Translation adjustments	43	2
Other	3	38
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	**(478)**	**(408)**

* *The 2017 opening balance has been restated from the IFRS 9 opening impact (note 1.1).*

NOTE 19 Other receivables and prepaid expenses

	Dec. 31, 2017	Dec. 31, 2016
Other receivables	386	342
Other tax credits	922	806
Derivative instruments	135	74
Prepaid expenses	250	285
TOTAL	**1,693**	**1,507**

NOTE 20 Cash and cash equivalents

	Dec. 31, 2017	Dec. 31, 2016
Marketable securities	1,393	899
Negotiable debt securities and short-term deposits	107	422
Cash and cash equivalents	1,545	1,474
Total cash and cash equivalents	**3,045**	**2,795**
Bank overdrafts	(278)	(265)
NET CASH AND CASH EQUIVALENTS	**2,767**	**2,530**

Non-recourse factoring of trade receivables were realized during the second semester of 2017 for a total amount of EUR103 million, compared with EUR103 million during the second semester of 2016.

NOTE 21 Equity

21.1 – Capital

Share capital

The company's share capital at December 31, 2017 amounted to EUR2,387,664,968 represented by 596,916,242 shares with a par value of EUR4, all fully paid up.

At December 31, 2017, a total of 626,070,223 voting rights were attached to the 596,916,242 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, 2015 were as follows:

	Cumulative number of shares	Total *(in euros)*
Capital at Dec. 31, 2015	**588,734,472**	**2,354,937,888**
Exercise of stock options	921,535	3,686,140
Employee share issue	2,842,752	11,371,008
Capital at Dec. 31, 2016	**592,498,759**	**2,369,995,036**
Exercise of stock options	2,004,115	8,016,460
Employee share issue	2,413,368	9,653,472
CAPITAL AT DEC. 31, 2017	**596,916,242**	**2,387,664,968**

The share premium account increased by EUR148,868,602 following the exercise of options and the increases in capital.

21.2 – Earnings per share

Determination of the share base used in calculation

	Full year 2017		Full year 2016	
(in thousands of shares)	**Basic**	**Diluted**	**Basic**	**Diluted**
Common shares*	557,731	557,731	561,222	561,222
Performance shares	-	6,337	-	5,503
Stock options	-	303	-	421
Average weighted number of shares	**557,731**	**564,371**	**561,222**	**566,946**

* *Net of treasury shares and own shares.*

Earnings per share

	Full year 2017		Full year 2016*	
(in euros)	**Basic**	**Diluted**	**Basic**	**Diluted**
Profit before tax	5.10	5.04	4.48	4.43
EARNINGS PER SHARE	**3.85**	**3.81**	**3.12**	**3.09**

* *2016 figures were restated for discontinued operations disclosed in note 1.*

21.3 – Dividends paid and proposed

In 2017, the Group paid out the 2016 dividend of EUR2.04 per share (with a nominal value of EUR4), for a total of EUR1,133 million.

In 2016, the Group paid out the 2015 dividend of EUR2.00 per share (with a nominal value of EUR4), for a total of EUR1,127 million.

At the Shareholders' Meeting of April 24, 2018, shareholders will be asked to approve a dividend of EUR2.20 per share (with a nominal value of EUR4) for fiscal year 2017. At December 31, 2017 Schneider-Electric SE had distributable reserves in an amount of EUR5,141 million (versus EUR6,231 million at the previous year-end), not including profit for the year.

21.4 – 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, 2017:

Stock option plans

Plan no.	Date of the 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
29	04/23/2007	S	04/23/2011	04/22/2017	45.55	166,300	-
30	12/19/2007	S	12/19/2011	12/18/2017	42.00	1,889,852	887,952
31	01/05/2009	S	01/05/2013	01/04/2019	23.78	1,358,000	133,760
33	12/21/2009	S	12/21/2013	12/20/2019	34.62	1,652,686	-
TOTAL						**5,066,838**	**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
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	-
15 *bis*	10/24/2013	10/24/2015	10/26/2017	4,500	-
16	03/28/2013	03/28/2017	03/28/2017	1,844,830	-
16 *bis*	10/24/2013	10/24/2017	10/24/2017	19,600	-
17	03/31/2014	03/31/2016	04/2/2018	714,480	83,455
18	03/31/2014	03/31/2018	04/2/2018	2,177,320	248,203
17 *bis*	10/28/2014	10/28/2016	10/29/2018	500	55
18 *bis*	10/28/2014	10/28/2018	10/29/2018	30,900	3,377
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	110,367
21 *bis*	10/28/2015	10/28/2017	10/29/2019	1,500	217
22	03/27/2015	03/27/2019	03/28/2019	2,095,610	310,776
22 *bis*	10/28/2015	10/28/2019	10/29/2019	32,650	4,585
22 *ter*	10/28/2015	10/28/2019	10/29/2019	24,570	-
23	03/23/2016	03/23/2016	03/24/2018	7,983	-
24	03/23/2016	03/23/2016	03/24/2020	27,042	-
25	03/23/2016	03/23/2016	03/24/2019	744,540	-
26	03/23/2016	03/23/2016	03/24/2020	2,291,200	-
27	10/26/2016	10/26/2019	10/27/2019	35,700	-
28	03/24/2017	03/24/2020	03/24/2021	25,800	-
29	03/24/2017	03/24/2020	03/24/2020	2,405,220	-
29 *bis*	10/25/2017	10/25/2020	10/25/2020	32,400	-
TOTAL				**13,930,440**	**761,035**

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 at Dec. 31, 2016	Number of options exercised and/or created in 2017	Number of options cancelled or restated in 2017[1]	Number of options outstanding at Dec. 31, 2017
29	46,164	(36,576)	(9,588)	-
30	222,377	(210,882)	(11,495)	-
31	257,209	(107,444)	6,868	156,633
33	553,224	(162,268)	9,394	400,350
TOTAL	**1,078,974**	**(517,170)**	**(4,821)**	**556,983**

(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 29 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 2,004,115 shares in 2017.

Change in the number of performance shares

Plan no.	Number of performance shares at Dec. 31, 2016	Number of shares granted or to be granted	Number of shares cancelled in 2017	Number of shares outstanding at Dec. 31, 2017
16	1,563,180	(1,470,255)	(92,925)	-
16 *bis*	19,100	(13,500)	(5,600)	-
18	1,710,275	(890)	(222,977)	1,486,408
18 *bis*	26,433	-	(712)	25,721
19	14,025	(4,925)	-	9,100
20	32,725	(11,475)	-	21,250
21	698,870	(581,353)	(117,517)	-
21 *bis*	1,500	(1,500)	-	-
22	2,006,360	-	(494,196)	1,512,164
22 *bis*	32,650	-	(5,585)	27,065
22 *ter*	24,570	-	-	24,570
23	7,983	-	-	7,983
24	27,042	-	-	27,042
25	743,390	(1,900)	(3,750)	737,740
26	2,273,400	-	(152,650)	2,120,750
27	35,700	-	(1,000)	34,700
28	-	25,800	-	25,800
29	-	2,405,220	(45,850)	2,359,370
29 *bis*	-	32,400	-	32,400
TOTAL	**9,217,203**	**378,222**	**(1,143,362)**	**8,452,063**

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.

21.4.1 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% and 1.0%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the expense recorded under "Selling, general and administrative expenses" breaks down as follows:

	Full year 2017	Full year 2016
Plan 16 and 16 *bis*	(1)	16
*Plan 17 and 17 *bis*	-	4
Plan 18 and 18 *bis*	12	21
Plan 20	-	1
Plan 21 and 21 *bis*	4	19
Plan 22, 22 *bis* and 22 *ter*	20	28
Plan 23 and 24	-	2
Plan 25	11	8
Plan 26	23	19
Plan 27	1	-
Plan 29 and 29 *bis*	32	-
TOTAL	**102**	**118**

21.4.2 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% 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 2017, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR59.11 per share, as part of its commitment to employee share ownership, on April 3rd, 2017. This represented a 15% discount to the reference price of EUR69.23 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 EUR143 million as of July 11, 2017. 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 2017 and 2016.

Non-leveraged plans	2017 %	2017 Value	2016 %	2016 Value
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		69.23		56.31
Subscription price *(euros)*:				
Between		59.11		47.86
And		59.11		45.04
Discount:				
Between	15.0%		15.0%	
And	15.0%		20.0%	
Amount subscribed by employees		142.7		130.0
Total amount subscribed		142.7		130.0
Total number of shares subscribed *(millions of shares)*		2.4		2.8
Valuation assumptions				
Interest rate available to market participant (bullet loan)[1]	3.8%		3.5%	
Five-year risk-free interest rate (euro zone)	0.3%		0.0%	
Annual interest rate *(repo)*	1.0%		1.0%	
(a) Value of discount:				
Between	15.0%	9.0	15.0%	8.7
And	15.0%	15.4	20.0%	20.4
(b) Value of the lock-up period for market participant	23.8%	39.8	23.9%	38.3
Total expense for the Group (a-b)		-		-
Sensitivity				
◆ decrease in interest rate for market participant[2]	(0.5%)	4.7	(0.5%)	4.5

Amounts in millions of euros, unless otherwise stated.
(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.
(2) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

21.5 – Schneider Electric SE shares

At December 31, 2017, the Group held 39,349,507 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

21.6 – Income tax recorded in equity

Total income tax recorded in Equity amounts to EUR241 million as of December 31, 2017 and can be analysed as follows:

	Dec. 31, 2017	Dec. 31, 2016	Change in tax
Cash-flow hedges	61	29	32
Financial assets revaluation	(7)	(7)	-
Actuarial gains (losses) on defined benefits	188	370	(182)
Other	(1)	(1)	-
TOTAL	**241**	**391**	**(150)**

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. Besides, the Group proposes as well, long-term benefit plans for current employees, primarily long service awards and similar benefits, mainly in France, Australia and India.

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:

	Group weighted average rate		*Of which US*	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Discount rate	2.65%	2.72%	3.50%	3.98%
Rate of compensation increases	3.28%	3.19%	n.a.	n.a.
Interest income(1)	2.71%	3.83%	4.00%	4.25%

(1) Under IAS 19 revised, the rate applied in the calculation of the interest income 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.

In the main geographical zones, the discount rates currently stand at 1.00% for 10 years duration and 1.50% for 15 years duration in the euro zone, 3.50% in the United States and 2.50% in the United Kingdom.

A 0.5 point increase in the discount rate would reduce pension and termination benefit obligations by around EUR658 million and the service cost by EUR2 million. A 0.5 point decrease would increase pension and termination benefit obligations by EUR740 million and the service cost by EUR2 million.

The post-employment healthcare obligation mainly concerns the United States. A one point increase in the healthcare costs rate would increase the post-employment healthcare obligation by EUR13 million and the sum of the service cost and interest cost by EUR0.5 million. A one point decrease in healthcare costs rate would decrease the post-employment healthcare obligation by EUR12 million and the sum of the service cost and interest cost by EUR0.5 million.

In 2017, the rate of healthcare cost increases in the United States is based on a decreasing trend from 7.67% in 2018 to 4.5% in 2028 for pre 65 retirees and from 5.67% in 2018 to 4.5% in 2022 for post 65 retirees. In 2016, the rate of healthcare cost increases in the United States is based on a decreasing trend from 8.00% in 2017 to 4.5% in 2028 for pre 65 retirees and from 6.00% in 2017 to 4.5% in 2022 for post 65 retirees.

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 11.5 years.

The majority of benefit obligations under these plans, which represent 96% of the Group's total commitment or EUR9,528 million at December 31, 2017, 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 14%), bonds (around 80%), real estate (around 1%) and cash and others assets (around 5%).

Main contributions are primarily for the North American plans and amount to EUR92 million in 2017. They are estimated at EUR61 million for 2018, EUR97 million for 2019 and EUR88 million for 2020.

At December 31, 2017, provisions for pensions and termination benefits total EUR1,324 million, compared with EUR1,530 million in 2016. 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 EUR76 million in 2017, compared with EUR84 million in 2016.

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 8.7 years. These post-employment benefit obligations are unfunded.

Healthcare coverage for North American employees represents 72% of this obligation.

The main benefits paid in 2017 are primarily for the North American plans and amount to EUR18 million. They are estimated at EUR19 million in 2018, and EUR18 million in 2019 and 2020.

Other long-term benefit obligations include long-service awards due by subsidiaries in France, for EUR13 million.

At December 31, 2017, provisions for these benefit obligations total EUR277 million, compared with EUR452 million at December 31, 2016. 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, 2015	**1,089**	**377**	**480**	**313**	**1,569**
Net cost recognized in the statement of income	84	26	7	(7)	91
Benefits paid	(29)	-	(35)	(18)	(64)
Plan participants' contributions	(104)	(40)	-	-	(104)
Actuarial items recognized in equity	439	47	(13)	4	426
Translation adjustment	55	14	10	10	65
Changes in the scope of consolidation	(4)	-	3	-	(1)
Other changes	-	-	-	-	-
Dec. 31, 2016	**1,530**	**424**	**452**	**302**	**1,982**
Net cost recognized in the statement of income	82	23	(64)	(8)	18
Benefits paid	(28)	-	(36)	(16)	(64)
Plan participants' contributions	(161)	(56)	-	-	(161)
Actuarial items recognized in equity	(4)	(27)	(44)	(47)	(48)
Translation adjustment	(88)	(48)	(37)	(33)	(125)
Changes in the scope of consolidation	(7)	-	6	-	(1)
Other changes	-	-	-	-	-
DEC. 31, 2017	**1,324**	**316**	**277**	**198**	**1,601**
Surplus of plans recognized as assets	**(182)**	**-**	**-**	**-**	**(182)**
Provisions recognized as liabilities	**1,506**	**316**	**277**	**198**	**1,783**

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, 2017, 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, 2015	**733**	**(34)**	**699**
Actuarial (gains)/losses on projected benefit obligation arising from demographic assumptions	23	1	24
Actuarial (gains)/losses on projected benefit obligation arising from financial assumptions	1,501	22	1,523
Actuarial (gains)/losses on projected benefit obligation from experience effects	(77)	(36)	(113)
Actuarial (gains)/losses on plan assets	(919)	-	(919)
Effect of the asset ceiling	(89)	-	(89)
Dec. 31, 2016	**1,172**	**(47)**	**1,125**
Actuarial (gains)/losses on projected benefit obligation arising from demographic assumptions	14	(7)	7
Actuarial (gains)/losses on projected benefit obligation arising from financial assumptions	92	6	98
Actuarial (gains)/losses on projected benefit obligation from experience effects	(57)	(43)	(100)
Actuarial (gains)/losses on plan assets	(19)	-	(19)
Effect of the asset ceiling	(34)	-	(34)
DEC. 31, 2017	**1,168**	**(91)**	**1,077**

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, 2017		Dec. 31, 2016	
		Of which SE USA		*Of which SE USA*
1. Reconciliation of balance sheet items				
Pension assets	-	-	-	-
Provisions for pensions and other post-employment benefit	(1,324)	(316)	(1,530)	(424)
NET ASSET/(LIABILITY) RECOGNIZED IN THE BALANCE SHEET	**(1,324)**	**(316)**	**(1,530)**	**(424)**

	Full year 2017		Full year 2016	
		Of which SE USA		*Of which SE USA*
2. Components of net cost recognized in the statement of income				
Service cost	47	-	39	-
Past service cost	1	-	(14)	-
Curtailments and settlements	(24)	-	-	-
Interest cost (effect of discounting on obligation and plan assets)	280	55	373	61
Interest income	(222)	(32)	(314)	(35)
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**82**	**23**	**84**	**26**

	Full year 2017		Full year 2016	
		Of which SE USA		*Of which SE USA*
3. Change in projected benefit obligation				
Projected benefit obligation at beginning of year	11,085	1,508	10,785	1,492
Service cost	47	-	39	-
Past service cost/Curtailments and Settlements	(341)	-	(101)	(87)
Interest cost (effect of discounting)	277	55	365	61
Plan participants' contributions	5	-	5	-
Benefits paid	(584)	(74)	(562)	(70)
Changes in the scope of consolidation	(7)	-	(4)	-
Actuarial (gains)/losses recognized in equity	49	63	1,447	64
Translation adjustments	(619)	(186)	(889)	48
Other	-	-	-	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**9,912**	**1,366**	**11,085**	**1,508**

Plans changes occurred in 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, 2017, actuarial losses resulting from changes in financial assumptions on pension and termination benefit obligations total EUR92 million for the Group compared to EUR1,501 million of losses at December 31, 2016. At December 31, 2017, the losses resulting from changes in demographic assumptions on pension and termination benefit obligations total EUR14 million for the Group compared to EUR23 million of losses at December 31, 2016.

At December 31, 2017, actuarial gains relative to the effects of experience on pension and termination benefit obligations total EUR57 million for the Group compared to EUR77 million of gains at December 31, 2016.

	Full year 2017		Full year 2016	
		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	9,688	1,084	9,941	1,115
Interest income	222	32	314	35
Plan participants' contribution	5	-	5	-
Employer contributions	161	56	104	40
Benefits paid	(556)	(74)	(533)	(70)
Actuarial gains/(losses) recognized in equity	19	90	919	17
Changes in the scope of consolidation	-	-	-	-
Translation adjustments	(535)	(138)	(975)	34
Curtailments and settlements	(318)	-	(87)	(87)
Other	-	-	-	-
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**8,686**	**1,050**	**9,688**	**1,084**

At December 31, 2017, the actual return on plan assets is EUR241 million compared with EUR1,233 million at December 31, 2016.

Actuarial gains and losses have been fully recognized in other reserves.

	Full year 2017		Full year 2016	
		Of which SE USA		Of which SE USA
5. Funded status				
Projected benefit obligation	(9,912)	(1,366)	(11,085)	(1,508)
Fair value of plan assets	8,686	1,050	9,688	1,084
Surplus/(Deficit)	**(1,226)**	**(316)**	**(1,397)**	**(424)**
Effect of the asset ceiling	(98)	-	(133)	-
Deferred items:				
Unrecognized past service cost	-	-	-	-
(LIABILITIES)/NET ASSETS RECOGNIZED IN THE BALANCE SHEET	**(1,324)**	**(316)**	**(1,530)**	**(424)**

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 2017	Full year 2016
1. Components of net cost recognized in the statement of income		
Service cost	6	9
Interest cost (effect of discounting)	10	15
Interest income	-	-
Past service cost	-	(20)
Curtailments and settlements	(80)	-
Amortization of actuarial gains & losses	-	3
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**(64)**	**7**

	Full year 2017	Full year 2016
2. Change in projected benefit obligation		
Projected benefit obligation at beginning of year	452	480
Service cost	6	9
Interest cost (effect of discounting)	10	15
Plan participants' contribution	-	-
Benefits paid	(36)	(35)
Actuarial (gains)/losses recognized in equity	(44)	(13)
Past service cost	(80)	(20)
Changes in the scope of consolidation	6	3
Translation adjustments	(37)	10
Other (including curtailments and settlements)	-	3
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**277**	**452**

Plans changes occurred in France and in United States.

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, 2017, actuarial gains relative to the effects of experience on healthcare costs, life insurance and other post-employment benefits total EUR43 million for the Group compared to EUR35 million of gains at December 31, 2016.

	Dec. 31, 2017	Dec. 31, 2016
3. Funded status		
Projected benefit obligation	(277)	(452)
Deferred items:		
Unrecognized past service cost	-	-
PROVISION RECOGNIZED IN BALANCE SHEET	**(277)**	**(452)**

NOTE 23 Provisions for contingencies and charges

	Economic risks	Customer risks	Products risks	Environmental risks	Restruc-turing	Other risks	Provisions
Dec. 31, 2015	**850**	**129**	**459**	**348**	**143**	**630**	**2,559**
Long-term portion	*591*	*106*	*175*	*335*	*16*	*436*	*1,659*
Additions	186	14	130	5	124	142	601
Discounting effect	-	-	-	1	-	-	1
Utilizations	(118)	(26)	(119)	(21)	(111)	(111)	(506)
Reversals of unused provisions	(5)	(8)	(22)	(2)	(2)	(131)	(170)
Translation adjustments	22	2	6	9	1	13	53
Changes in the scope of consolidation and other	(28)	(8)	(2)	-	9	(2)	(31)
Dec. 31, 2016	**907**	**103**	**452**	**340**	**164**	**541**	**2,507**
Long-term portion	*710*	*87*	*164*	*330*	*18*	*341*	*1,650*
Additions	82	19	145	10	125	126	507
Discounting effect	-	-	-	-	-	-	-
Utilizations	(79)	(11)	(98)	(18)	(121)	(151)	(478)
Reversals of unused provisions	(24)	(12)	(15)	(7)	(3)	(19)	(80)
Translation adjustments	(64)	(11)	(29)	(34)	(7)	(53)	(198)
Changes in the scope of consolidation and other	(1)	6	(10)	(1)	(4)	25	15
DEC. 31, 2017	**821**	**94**	**445**	**290**	**154**	**469**	**2,273**
Long-term portion	*615*	*64*	*153*	*276*	*8*	*315*	*1,431*

(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

Provisions for customer risks mainly integrate the provisions for losses at completion for some of long term contracts, for EUR94 million.

(c) Product 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. 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) Other risks

These provisions cover, in particular, insurance risks associated with the Group's captive insurance companies, certain historical legal risks, and certain provisions relating to employees, along with miscellaneous other risks.

(f) Reconciliation with cash flow statement

The increase and decrease in provisions retreated at statutory cash flow were as follows:

	Dec. 31, 2017	Dec. 31, 2016
Increase of provision	507	601
Utilization of provision	(478)	(506)
Reversal of surplus provision	(80)	(170)
Provision variance including tax provisions but excluding employee benefit obligation	**(51)**	**(75)**
(Tax provisions net variance)	28	(61)
Provision variance excluding tax provisions and pension benefit obligation	**(23)**	**(136)**
Employee benefit obligation net variance excluding contribution to plan assets	(46)	24
Increase/(decrease) in provisions in cash-flow statement	**(69)**	**(112)**

NOTE 24 Total current and non-current financial liabilities

Non-current financial liabilities break down as follows:

	Dec. 31, 2017	Dec. 31, 2016
Bonds	6,375	6,746
Bank and other borrowings	23	240
Lease liabilities	-	1
Employee profit sharing	4	5
Short-term portion of convertible and non-convertible bonds	(749)	(1,025)
Short-term portion of long-term debt	(3)	(201)
NON-CURRENT FINANCIAL LIABILITIES	**5,650**	**5,766**

Current financial liabilities break down as follows:

	Dec. 31, 2017	Dec. 31, 2016
Commercial paper	330	65
Accrued interest	58	75
Other short-term borrowings	273	223
Drawdown of funds from lines of credit	-	-
Bank overdrafts	278	265
Short-term portion of convertible and non-convertible bonds	749	1,025
Short-term portion of long-term debt	3	201
SHORT-TERM DEBT	**1,691**	**1,853**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**7,341**	**7,619**
CASH AND CASH EQUIVALENTS (SEE NOTE 20)	**(3,045)**	**(2,795)**
NET DEBT	**4,296**	**4,824**

24.1 – Breakdown by maturity

	Dec. 31, 2017			Dec. 31, 2016
	Nominal	Interests	Swaps	Nominal
2017	-	-	-	1,855
2018	1,691	128	-	795
2019	523	97	-	498
2020	498	87	-	498
2021	598	73	-	598
2022	664	57	-	755
2023	795	35	-	794
2024	790	19	-	789
2025 and beyond	1,782	18	-	1,037
TOTAL	**7,341**	**514**	**-**	**7,619**

24.2 – Breakdown by currency

	Dec. 31, 2017	Dec. 31, 2016
Euro	6,253	6,277
US dollar	696	899
Russian rouble	75	129
Indian rupee	51	40
Brazilian real	69	-
Argentinian peso	27	-
Algerian dinar	27	32
Chilean peso	24	22
Colombian peso	22	19
Australian dollar	16	11
Other	81	190
TOTAL	**7,341**	**7,619**

24.3 – Bonds

	Dec. 31, 2017	Dec. 31, 2016	Effective interest rate	Maturity
Schneider Electric SE 2017	-	1,025	4.000% fixed	August 2017
Schneider Electric SE 2018	749	748	3.750% fixed	July 2018
Schneider Electric SE 2019	499	498	3.500% fixed	January 2018
Schneider Electric SE 2020	498	498	3.625% fixed	July 2020
Schneider Electric SE 2021	598	598	2.500% fixed	September 2021
Schneider Electric SE 2022	664	756	2.950% fixed	September 2022
Schneider Electric SE 2023	795	794	1.500% fixed	September 2023
Schneider Electric SE 2024	790	789	0.250% fixed	September 2024
Schneider Electric SE 2025	1,042	1,041	0.875%, 1.841% fixed	October 2025
Schneider Electric SE 2026	740	-	0.875% fixed	December 2026
TOTAL	**6,375**	**6,746**		

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, 2017 are as follow:
  - EUR750 million worth of bonds issued in December 2017, at a rate of 0.875%, maturing in December 2026,
  - EUR800 million worth of bonds issued in September 2016, at a rate of 0.25%, maturing in September 2024,
  - 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,
  - 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,
  - EUR500 million worth of bonds issued in July 2010, at a rate of 3.625%, maturing on July 20, 2020,

For all those transactions, issue premium and issue costs are amortized per the effective interest rate method.

24.4 – Reconciliation with cash flow statement

	Dec. 31, 2016	Cash variation	Non-Cash variations: Scope impacts	Non-Cash variations: Forex impacts	Non-Cash variations: Other	Dec. 31, 2017
Bonds	6,746	(285)	-	(86)	-	6,375
Bank overdrafts and other borrowings	802	(204)	-	34	-	632
Other Short-Term borrowings	71	331	-	(68)	-	334
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**7,619**	**(158)**	-	**(120)**	-	**7,341**

24.5 – Other information

At December 31, 2017 Schneider Electric had confirmed credit lines of EUR2,675 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, 2017	Dec. 31, 2016
Debt on Luminous valuation	-	130
Advances on government subsidies	4	3
Other	6	9
OTHER NON-CURRENT LIABILITIES	**10**	**142**

In 2016, the debt on Luminous valuation corresponded to the Group commitment 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, 2017			Breakdown by category (IFRS 9)	
	Fair Value	Fair value through P&L	Fair value through equity	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost
ASSETS					
Listed financial assets	26	-	26	-	-
Venture capital (FCPR)/Mutual funds (SICAV)	94	94	-	-	-
Other Unlisted financial assets	35	-	35	-	-
Other non-current financial assets	281	-	-	281	-
TOTAL NON-CURRENT ASSETS	**436**	**94**	**61**	**281**	**-**
Trade accounts receivable	5,763	-	-	5,763	-
Current financial assets	32	32	-	-	-
Marketable securities	1,393	1,393	-	-	-
Derivative instruments – foreign currencies	111	95	16	-	-
Derivative instruments – interest rates	-	-	-	-	-
Derivative instruments – commodities	12	-	12	-	-
Derivative instruments – shares	12	12	-	-	-
TOTAL CURRENT ASSETS	**7,323**	**1,532**	**28**	**5,763**	**-**
LIABILITIES					
Long-term portion of bonds*	(5,953)	-	-	-	(5,953)
Other long-term debt	(24)	-	-	-	(24)
TOTAL NON-CURRENT LIABILITIES	**(5,977)**	**-**	**-**	**-**	**(5,977)**
Short-term portion of bonds*	(749)	-	-	-	(749)
Short-term debt	(942)	-	-	-	(942)
Trade accounts payable	(4,206)	-	-	-	(4,206)
Other	(37)	-	-	-	(37)
Derivative instruments – foreign currencies	(77)	(77)	-	-	-
Derivative instruments – interest rates	-	-	-	-	-
Derivative instruments – commodities	-	-	-	-	-
Derivative instruments – shares	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**(6,011)**	**(77)**	**-**	**-**	**(5,934)**

* *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 EUR6,375 million compared to EUR6,702 million at fair value.*

The main changes driven by the application of IFRS 9 in 2017 are described in note 1.1.

	Dec. 31, 2016	Breakdown by category (IAS 39)				
	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	161	-	-	161	-	-
Other non-current financial assets	378	-	-	-	378	-
TOTAL NON-CURRENT ASSETS	**539**	**-**	**-**	**161**	**378**	**-**
Trade accounts receivable	5,929	-	-	-	5,929	-
Current financial assets	36	36	-	-	-	-
Marketable securities	899	899	-	-	-	-
Derivative instruments – foreign currencies	49	36	13	-	-	-
Derivative instruments – interest rates	-	-	-	-	-	-
Derivative instruments – commodities	9	-	9	-	-	-
Derivative instruments – shares	16	16	-	-	-	-
TOTAL CURRENT ASSETS	**6,938**	**987**	**22**	**-**	**5,929**	**-**
LIABILITIES						
Long-term portion of bonds*	(6,019)	-	-	-	-	(6,019)
Other long-term debt	(46)	-	-	-	-	(46)
TOTAL NON-CURRENT LIABILITIES	**(6,065)**	**-**	**-**	**-**	**-**	**(6,065)**
Short-term portion of bonds*	(1,057)	-	-	-	-	(1,057)
Short-term debt	(828)	-	-	-	-	(828)
Trade accounts payable	(4,146)	-	-	-	-	(4,146)
Other	(27)	-	-	-	-	(27)
Derivative instruments – foreign currencies	(197)	(192)	5	-	-	-
Derivative instruments – interest rates	-	-	-	-	-	-
Derivative instruments – commodities	-	-	-	-	-	-
Derivative instruments – shares	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**(6,255)**	**(192)**	**5**	**-**	**-**	**(6,058)**

* *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 EUR6,746 million compared to EUR7,076 million at fair value.*

26.2 – Fair value hierarchy

Financial assets and liabilities can be classified at the fair value following the hierarchy levels below:

- Level 1: market value (non-adjusted) on active markets, for similar assets and liabilities, which the company can obtain on a given valuation date;
- Level 2: data other than the market rate available for level 1, which are directly or indirectly observable on the market;
- Level 3: data on the asset or liability that are not observable on the market.

	Dec. 31, 2017				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
ASSETS					
Financial assets	155	155	26		129[1]
Marketable securities	1,393	1,393	1,393		
Derivative instruments	135	135		135	
LIABILITIES					
Bonds	(6,375)	(6,702)	(6,702)		
Other long-term debt	(24)	(24)			(24)
Other current liabilities	(5,185)	(5,185)			(5,185)
Derivative instruments	(77)	(77)		(77)	

(1) Unlisted available-for-sale financial assets are tested once a year and impaired when necessary.

	Dec. 31, 2016				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
ASSETS					
Available-for-sale financial assets	161	161	36	-	125[1]
Marketable securities	899	899	899	-	-
Derivative instruments	74	74	-	74	-
LIABILITIES					
Bonds	(6,746)	(7,076)	(7,076)	-	-
Other long-term debt	(46)	(46)	-	-	(46)
Other current liabilities	(5,001)	(5,001)	-	-	(5,001)
Derivative instruments	(197)	(197)	-	(197)	-

(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.

Dec. 31, 2017	Carrying amount	Nominal amount	
		Sale	Purchase
Cash flow hedges	(20)	149	872
Net investment hedges	12	1,105	-
Trading	41	5,213	3,704
TOTAL	**33**	**6,467**	**4,576**

Dec. 31, 2016	Carrying amount	Nominal amount	
		Sale	Purchase
Cash flow hedges	(74)	411	867
Net investment hedges	12	1,257	-
Trading	(86)	4,780	3,209
TOTAL	**148**	**6,348**	**4,076**

We manage our exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates through hedging programs relating to receivables, payables and cash flows, which are primarily hedged by means of forward purchases and sales. Depending on market conditions, risks in the main currencies may be hedged based on cash flow forecasting using contracts that expire in 12 months or less. Schneider Electric's currency hedging policy is to protect its subsidiaries against risks on all transactions denominated in a currency other than their functional currency.

Positions of futures hedges of balance sheet items and net investment by currency:

	Dec. 31, 2017		
	Sales	Purchases	Net
USD	4,279	(1,281)	2,998
GBP	381	(632)	(251)
SGD	364	(161)	203
BRL	5	(206)	(201)
CNY	200	(656)	(456)
HKD	187	(41)	146
AED	62	(2)	60
HUF	38	(98)	(60)
IDR	32	(61)	(29)
SEK	78	(190)	(112)
CAD	140	(143)	(3)
NOK	78	(4)	74
DKK	15	(170)	(155)
AUD	165	(620)	(455)
RUB	82	-	82
CHF	23	(130)	(107)
SAR	28	(1)	27
ZAR	53	(3)	50
Others	257	(177)	80
TOTAL	**6,467**	**(4,576)**	**1,891**

These forward currency hedging positions include EUR952 million in hedges of loans and borrowings of a financial nature (net sales) and EUR939 million in hedges of operating cash flows (net sales).

26.3.2 Interest rate

Interest rate risk on borrowings is managed at the Group level, based on consolidated debt and taking into consideration market conditions to optimize overall borrowing costs. The Group uses derivative instruments to hedge its exposure to interest rates through swaps.

The Group didn't use any derivative instrument to hedge its exposure to interest rates during the fiscal year 2017.

26.3.3 Raw material hedges

The Group is exposed to fluctuations in energy and raw material prices, in particular steel, copper, aluminium, 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, 2017	Dec. 31, 2016
Carrying amount	12	9
Nominal amount	(153)	(159)

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, 2017	Dec. 31, 2016
Outstanding shares	400,146	629,447
Carrying amount	12	16
Nominal amount	(17)	(27)

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, 2017	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	354	225	129	47	82
Financial liabilities	(305)	(225)	(80)	(47)	(33)

	(a)	(b)	(c) = (a)-(b)	(d)	(e) = (c)-(d)
Dec. 31, 2016	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	1,894	1,820	74	44	30
Financial liabilities	(2,089)	(1,820)	(269)	(44)	(225)

NOTE 27 Employees

27.1 – Employees

The average number of permanent and temporary employees was as follows in 2016 and 2017:

(number of employees)	**2017**	**2016**
Production	80,895	82,013
Administration	72,229	78,911
TOTAL AVERAGE NUMBER OF EMPLOYEES	**153,124**	**160,924**
By region:		
EMEAS*	69,726	75,415
North America	30,766	31,055
Asia-Pacific	52,632	54,454

* *Europe, Middle-East, Africa, South America.*

The decrease in the average number of employees is primarily linked to 2017 disposals.

27.2 – Employee benefits expense

	Full year 2017	**Full year 2016**
Payroll costs	(6,045)	(6,079)
Profit-sharing and incentive bonuses	(65)	(67)
Stock options and performance shares	(102)	(118)
EMPLOYEE BENEFITS EXPENSE	**(6,212)**	**(6,264)**

27.3 – Benefits granted to senior executives

In 2017, the Group paid EUR1.7 million in attendance fees to the members of its board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2017 by the Group to the members of Senior Management, excluding executive directors, totalled EUR20.3 million, of which EUR6.8 million corresponded to the variable portion.

During the last three periods, 752,526 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 2017 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 EUR8 million at December 31, 2017 versus EUR24 million at December 31, 2016.

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.

Related party transactions were not material in 2017.

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, 2017	Dec. 31, 2016
Market counter guarantees(1)	2,854	3,075
Pledges, mortgages and sureties(2)	11	7
Other commitments given(3)	435	353
GUARANTEES GIVEN	**3,300**	**3,435**
Endorsements and guarantees received	68	75
GUARANTEES RECEIVED	**68**	**75**

(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

The Group is committed in the takeover of IGE+XAO and in the Aveva and Schneider Electric Software business combination, described in note 30.

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

30.1 – IGE+XAO takeover

On November 8, 2017, the Group announced the signing of a memorandum of understanding, pursuant to which SEI SAS have filed with the *Autorité des Marchés Financiers* (AMF) a voluntary public tender offer for the shares of IGE+XAO, at the price of EUR132 per share (coupon attached).

With more than 80,000 licences globally, IGE+XAO is a leader in design software for electrical installations through its CAD (Computer Aided Design), PLM (Product Life cycle Management) and simulation software. The company had consolidated revenues of EUR29.4 million for the financial year 2016-2017 and an operational margin of 27%.

On January 25, 2018, after the successful public tender offer and following the delivery of the shares tendered to the offer, the Group announced that SEI SAS will own directly and indirectly 70.57% of the share capital of IGE+XAO, and therefore has taken the control of the Company. The public tender offer initiated by Schneider Electric has been re-opened from February 1st to February 14th, 2018, in order to allow shareholders who have not yet disposed of their shares to do so under the same terms.

30.2 – AVEVA & Schneider Electric Software Business combination

On September 5th, 2017, the Group announced that it had reached agreement with AVEVA Group plc on the terms and conditions of a Combination of AVEVA and Schneider Electric industrial software business, to create a global leader in engineering and industrial software. On completion, following the issue of ordinary shares in the capital of AVEVA to Schneider Electric, the Group will own 60% of the enlarged AVEVA Group, on a fully diluted basis. Completion is subject to the satisfaction of a number of conditions including, amongst other things, AVEVA shareholder approval of the combination and applicable regulatory and anti-trust approvals having been obtained.

Subsequent to the announcement of September 5th, AVEVA shareholder approval was given at a General Meeting on September 29th, 2017. All outstanding regulatory clearances required ahead of completion of the Combination have now been received, including the approval of the Committee on Foreign Investments in the United States ("CFIUS"), which gave its approval on February 9, 2018. Therefore, it is expected that completion of the Combination will occur in March 1, 2018.

NOTE 31 Statutory auditors' fees

Fees paid by the Group to the statutory auditors and their networks:

	Full year 2017				
(in thousands of euros)	**EY**	**%**	**Mazars**	**%**	**Total**
Audit					
Statutory auditing	11,152	85%	7,776	89%	18,928
o/w Schneider Electric SE	*102*		*102*		
o/w subsidiaries	*11,050*		*7,674*		
Related services	1,152	9%	908	11%	2,060
o/w Schneider Electric SE	*752*		*37*		
o/w subsidiaries	*400*		*871*		
Audit sub-total	**12,304**	**94%**	**8,684**	**100%**	**20,988**
Other legal, tax services	742	6%	10	-	752
TOTAL FEES	**13,046**	**100%**	**8,694**	**100%**	**21,740**

	Full year 2016				
(in thousands of euros)	**EY**	**%**	**Mazars**	**%**	**Total**
Audit					
Statutory auditing	8,354	76%	7,863	89%	16,217
o/w Schneider Electric SE	*100*		*100*		
o/w subsidiaries	*8,254*		*7,763*		
Related services	1,861	17%	984	11%	2,845
o/w Schneider Electric SE	*23*		*41*		
o/w subsidiaries	*1,838*		*943*		
Audit sub-total	**10,215**	**93%**	**8,847**	**100%**	**19,062**
Other legal, tax services	733	7%	10	-	743
TOTAL FEES	**10,948**	**100%**	**8,857**	**100%**	**19,805**

NOTE 32 Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below.

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Europe			
Fully consolidated			
Invensys Systems GmbH	Austria	100.0	100.0
NXT Control GmbH	Austria	100.0	-
Schneider Electric Austria GmbH	Austria	100.0	100.0
Schneider Electric Power Drives GmbH	Austria	100.0	100.0
Schneider Electric Bel	Belarus	100.0	100.0
Invensys Systems NV/SA	Belgium	100.0	100.0
Schneider Electric Energy Belgium SA	Belgium	100.0	100.0
Schneider Electric ESS BVBA	Belgium	100.0	100.0
Schneider Electric NV/SA	Belgium	100.0	100.0
Schneider Electric Services International SPRL	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
Schneider Electric Systems Czech Republic 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 A.S.	Estonia	100.0	100.0
Schneider Electric Finland Oy	Finland	100.0	100.0
Schneider Electric Fire & Security OY	Finland	100.0	100.0
Vamp OY	Finland	100.0	100.0
BCV Technologies SAS	France	100.0	100.0
Behar sécurité	France	100.0	100.0
Boissière Finance SNC	France	100.0	100.0
Construction Electrique du Vivarais SAS	France	100.0	100.0
Dinel SAS	France	100.0	100.0
Eckardt	France	100.0	100.0
Eurotherm Automation SASU	France	100.0	100.0
France Transfo SAS	France	100.0	100.0
Invensys Systems France SASU	France	100.0	100.0
Merlin Gerin Alès SAS	France	100.0	100.0
Merlin Gerin Loire SAS	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
Proface France	France	100.0	100.0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Rectiphase SAS	France	100.0	100.0
Sarel - Appareillage Electrique SAS	France	99.0	99.0
Scanelec 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 IT France	France	100.0	100.0
Schneider Electric Manufacturing Bourguebus SAS	France	100.0	100.0
Schneider Electric SE (Société mère)	France	100.0	100.0
Schneider Electric Software France	France	100.0	-
Schneider Electric Telecontrol SAS	France	100.0	100.0
Schneider Toshiba Inverter Europe SAS	France	60.0	60.0
Schneider Toshiba Inverter SAS	France	60.0	60.0
Société d'Appareillage Electrique Gardy SAS	France	100.0	100.0
Société d'Application et d'Ingenierie Industrielle et Informatique SAS - SA3I	France	100.0	100.0
Société Electrique d'Aubenas SAS	France	100.0	100.0
Société Française de Construction Mécanique et Electrique SA	France	100.0	100.0
Société Française Gardy SA	France	100.0	100.0
Systèmes Equipements Tableaux Basse Tension SAS	France	100.0	100.0
Transfo Services SAS	France	100.0	100.0
Transformateurs SAS	France	100.0	100.0
ABN Braun GmbH	Germany	100.0	-
Eberle Controls GmbH	Germany	100.0	100.0
Elso GmbH	Germany	100.0	100.0
Foxboro-Eckardt GmbH	Germany	100.0	100.0
Merten 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 Real Estate GmbH	Germany	100.0	100.0
Schneider Electric Sachsenwerk GmbH	Germany	100.0	100.0
Schneider Electric Software Germany GmbH	Germany	100.0	100.0
Schneider Electric Systems Germany GmbH	Germany	100.0	100.0
Siebe Metallwerke GmbH	Germany	100.0	100.0
Schneider Electric AEBE	Greece	100.0	100.0
Schneider Electric Energy Hungary Ltd	Hungary	100.0	100.0
Schneider Electric Hungaria Villamossagi ZRT	Hungary	100.0	100.0
SE - CEE Schneider Electric Közep-Kelet Europai KFT	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

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Validation technologies (Europe) Ltd	Ireland	100.0	100.0
Eliwell Controls S.r.l.	Italy	100.0	100.0
Eurotherm S.r.l.	Italy	100.0	100.0
Schneider Electric Industrie Italia SpA	Italy	100.0	100.0
Schneider Electric Software Italy	Italy	100.0	-
Schneider Electric SpA	Italy	100.0	100.0
Schneider Electric Systems Italia SpA	Italy	100.0	100.0
Uniflair 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 (A.P.C.) 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
Schneider Electric Software Holdings Netherlands	Netherlands	100.0	-
Schneider Electric Software Netherlands	Netherlands	100.0	-
Schneider Electric The Netherlands B.V.	Netherlands	100.0	100.0
ELKO A.S.	Norway	100.0	100.0
Eurotherm A.S.	Norway	100.0	100.0
Lexel Holding Norge A.S.	Norway	100.0	100.0
Schneider Electric Norge A.S.	Norway	100.0	100.0
Elda Eltra Elektrotechnika SA (ex Eltra SA)	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 Energy Poland Sp. z.o.o.	Poland	100.0	100.0
Schneider Electric Industries Polska Sp. z.o.o.	Poland	100.0	100.0
Schneider Electric Polska Sp. z.o.o.	Poland	100.0	100.0
Schneider Electric Portugal LDA	Portugal	100.0	100.0
Schneider Electric Romania SRL	Romania	100.0	100.0
DIN Elektro Kraft OOO	Russia	100.0	100.0
OOO Potential	Russia	100.0	100.0
OOO Schneider Electric Zavod Electromonoblock	Russia	100.0	100.0
Schneider Electric Software Russia	Russia	100.0	-
Schneider Electric Systems LLC	Russia	100.0	100.0
Schneider Electric URAL LLC	Russia	100.0	100.0
ZAO Gruppa Kompaniy Electroshield	Russia	100.0	100.0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
ZAO Schneider Electric	Russia	100.0	100.0
Schneider Electric Srbija doo Beograd	Serbia	100.0	100.0
Schneider Electric Slovakia Spol s.r.o.	Slovakia	100.0	100.0
Schneider Electric Systems Slovakia s.r.o.	Slovakia	100.0	100.0
Schneider Electric d.o.o.	Slovenia	100.0	100.0
Enclosure Solutions	Spain	100.0	-
Invensys Operations Management Espana S.L.U.	Spain	100.0	100.0
Manufacturas Electricas SA	Spain	100.0	100.0
Schneider Electric Espana SA	Spain	100.0	100.0
Schneider Electric IT, Spain SL	Spain	100.0	100.0
Schneider Electric Software Spain	Spain	100.0	-
AB Crahftere 1	Sweden	100.0	100.0
AB Wibe	Sweden	100.0	100.0
Elektriska AB Delta	Sweden	100.0	100.0
Elko AB	Sweden	100.0	100.0
Eurotherm 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
Wonderware Scandinavia AB	Sweden	100.0	100.0
Eurotherm-Produkte (Schweiz) AG	Switzerland	100.0	100.0
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100.0	100.0
Schneider Electric (Schweiz) AG	Switzerland	100.0	100.0
Schneider Electric Ukraine	Ukraine	100.0	100.0
Andromeda Telematics Ltd	United Kingdom	100.0	100.0
Avtron Loadbank Worldwide Co. Ltd.	United Kingdom	100.0	-
BTR Property Holdings Ltd	United Kingdom	100.0	100.0
CBS Group Ltd	United Kingdom	100.0	100.0
Eurotherm Ltd (UK)	United Kingdom	100.0	100.0
Imserv Europe Ltd	United Kingdom	100.0	100.0
Invensys Holdings Ltd	United Kingdom	100.0	100.0
M&C Energy Group Ltd	United Kingdom	100.0	100.0
N.J. Froment & Co. Limited	United Kingdom	100.0	-
Samos Acquisition Company 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 Controls 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
Schneider Electric Systems UK Ltd	United Kingdom	100.0	100.0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Serck Control and Safety Ltd	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
Energy Pool Development	France	25.0	27.9
Epsys SAS	France	20.0	100.0
Schneider Lucibel Managed Services SAS	France	47.0	47.0
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
North America			
Fully consolidated			
Control Microsystems Inc.	Canada	100.0	100.0
Power Measurement Ltd.	Canada	100.0	100.0
Schneider Electric Canada Inc.	Canada	100.0	100.0
Schneider Electric Software Canada Inc.	Canada	100.0	100.0
Schneider Electric Systems Canada Inc.	Canada	100.0	100.0
Viconics Technologies Inc.	Canada	100.0	100.0
Electronica Reynosa S. de R.L. de C.V.	Mexico	100.0	100.0
Industrias Electronicas Pacifico, S.A. de C.V.	Mexico	100.0	100.0
Invensys Group Services Mexico	Mexico	100.0	100.0
Schneider Electric IT Mexico S.A. de C.V.	Mexico	100.0	100.0
Schneider Electric Mexico, S.A. de C.V.	Mexico	100.0	100.0
Schneider Electric Software Mexico, S.A. de C.V.	Mexico	100.0	-
Schneider Electric Systems Mexico SA	Mexico	100.0	100.0
Schneider Industrial Tlaxcala, S.A. de C.V.	Mexico	100.0	100.0
Schneider Mexico, SA de CV	Mexico	100.0	100.0
Schneider R&D, SA de CV	Mexico	100.0	100.0
Square D Company Mexico, S.A. de C.V.	Mexico	100.0	100.0
Telvent Mexico SA de CV	Mexico	99.3	99.3
Adaptive Instruments Corp.	United States	100.0	100.0
American Power Conversion Holdings Inc.	United States	100.0	100.0
Applied Instrument Technologies, Inc.	United States	100.0	100.0
Asco Power GP, LLC	United States	100.0	-
Asco Power Services, Inc.	United States	100.0	-
Asco Power Technologies, L.P.	United States	100.0	-
AST North America, LLC	United States	100.0	100.0
Foxboro Controles SA	United States	100.0	100.0
Invensys LLC	United States	100.0	100.0
Lee Technologies Puerto Rico, LLC	United States	100.0	100.0
Pelco, Inc.	United States	100.0	100.0
Power Measurement, Inc.	United States	100.0	100.0
Pro-face America, LLC	United States	100.0	100.0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Renewable Choice Energy Inc.	United States	100.0	-
Schneider Electric Buildings Americas, Inc.	United States	100.0	100.0
Schneider Electric Buildings Critical Systems, Inc.	United States	100.0	100.0
Schneider Electric Buildings, LLC	United States	100.0	100.0
Schneider Electric Engineering Services, LLC	United States	100.0	100.0
Schneider Electric Grid Automation Inc.	United States	100.0	-
Schneider Electric Holdings Inc.	United States	100.0	100.0
Schneider Electric IT America Corp.	United States	100.0	100.0
Schneider Electric IT Corporation	United States	100.0	100.0
Schneider Electric IT Mission Critical Services, Inc.	United States	100.0	100.0
Schneider Electric IT USA, Inc.	United States	100.0	100.0
Schneider Electric IT (Xiamen) Co., Ltd.	United States	100.0	100.0
Schneider Electric Motion USA, Inc.	United States	100.0	100.0
Schneider Electric Software, LLC	United States	100.0	100.0
Schneider Electric Solar Inverters USA, Inc.	United States	100.0	100.0
Schneider Electric Systems USA, Inc.	United States	100.0	100.0
Schneider Electric USA, Inc.	United States	100.0	100.0
Schneider Electric Vermont Ltd	United States	100.0	100.0
Siebe Inc.	United States	100.0	100.0
SNA Holdings Inc.	United States	100.0	100.0
Square D Investment Company	United States	100.0	100.0
Stewart Warner Corporation	United States	100.0	100.0
Summit Energy Services, Inc.	United States	100.0	100.0
Telvent DTN, LLC	United States	100.0	100.0
Telvent USA, LLC	United States	100.0	100.0
Veris Industries LLC	United States	100.0	100.0
Asia-Pacific			
Fully consolidated			
Clipsal Australia Pty. Ltd	Australia	100.0	100.0
Clipsal Technologies Australia Pty. Limited	Australia	100.0	100.0
Nu-lec Industries 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. Ltd	Australia	100.0	100.0
Schneider Electric Buildings Australia Pty. Ltd	Australia	100.0	100.0
Schneider Electric IT Australia Pty. Ltd	Australia	100.0	100.0
Schneider Electric Software Australia Holdings Pty. Ltd	Australia	100.0	-
Schneider Electric Software Australia Pty. Ltd	Australia	100.0	100.0
Schneider Electric Systems Australia Pty. Ltd	Australia	100.0	100.0
Serck Controls Pty. Limited	Australia	100.0	100.0
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100.0	100.0
Clipsal Manufacturing (Huizhou) Ltd	China	100.0	100.0
Delixi Electric Investment (shanghai) Co., Ltd	China	74.5	-

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
FSL China	China	54.0	54.0
Invensys Automation & Controls Systems (Shanghai) Co., Ltd	China	100.0	100.0
Pelco (Shanghai) Trading Co. Ltd.	China	100.0	100.0
Proface China International Trading (Shanghai) Co. Ltd	China	100.0	100.0
RAM Electronic Technology and Control (Wuxi) Co., Ltd	China	100.0	100.0
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95.0	95.0
Schneider (Beijing) Medium Voltage Co. Ltd	China	95.0	95.0
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70.0	70.0
Schneider (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 (Xiamen) Switchgear Co. Ltd	China	100.0	100.0
Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd.	China	100.0	100.0
Schneider Electric Equipment an Engineering (X'ian) 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 Electric Manufacturing (Chongqing) Co. Ltd	China	100.0	100.0
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100.0	100.0
Schneider Great Wall Engineering (Beijing) Co. Ltd	China	100.0	100.0
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100.0	100.0
Schneider Shanghai Industrial Control Co. Ltd	China	80.0	80.0
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75.0	75.0
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80.0	80.0
Schneider Switchgear (Suzhou) Co, Ltd	China	58.0	58.0
Schneider Wingoal (Tianjin) Electric Equipment 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
Shanghai Schneider Electric Power Automation Co. Ltd	China	100.0	100.0
Shanghai Tayee Electric Co., Ltd	China	74.5	-
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 Co., Ltd	China	100.0	100.0
Clipsal Asia Holdings Limited	Hong Kong	100.0	100.0
Clipsal Asia Limited	Hong Kong	100.0	100.0
Fed-Supremetech Limited	Hong Kong	54.0	54.0
Schneider Electric (Hong Kong) Limited	Hong Kong	100.0	100.0
Schneider Electric Asia Pacific Limited	Hong Kong	100.0	100.0
Schneider Electric IT Hong Kong Limited	Hong Kong	100.0	100.0
Eurotherm India Private Ltd	India	100.0	100.0
Invensys Development Centre India Private Ltd	India	100.0	100.0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Luminous Power Technologies Private Ltd	India	100.0	74.0
Schneider Electric India Private Ltd	India	100.0	100.0
Schneider Electric Infrastructure Limited	India	94.6	94.6
Schneider Electric IT Business India Private Ltd	India	100.0	100.0
Schneider Electric President Systems Ltd	India	79.5	75.0
Schneider Electric Systems India Private Limited	India	100.0	100.0
PT Clipsal Manufacturing Jakarta	Indonesia	100.0	100.0
PT Schneider Electric Indonesia	Indonesia	100.0	100.0
PT Schneider Electric IT Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Manufacturing Batam	Indonesia	100.0	100.0
PT Schneider Electric Systems Indonesia	Indonesia	95.0	95.0
Schneider Electric Japan Holdings Ltd	Japan	100.0	100.0
Schneider Electric Japan, Inc.	Japan	100.0	100.0
Schneider Electric Software Japan Inc.	Japan	100.0	-
Schneider Electric Systems Japan Inc.	Japan	100.0	100.0
Toshiba Schneider Inverter Corp.	Japan	100.0	100.0
Eurotherm Korea Co., Ltd.	Korea	100.0	100.0
Schneider Electric Korea Ltd.	Korea	100.0	100.0
Schneider Electric Software Korea Ltd.	Korea	100.0	-
Schneider Electric Systems Korea Limited	Korea	100.0	100.0
Wonderware Korea Ltd.	Korea	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
Schneider Electric Software Malaysia	Malaysia	100.0	-
Schneider Electric Systems (Malaysia) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (NZ) Limited	New Zealand	100.0	100.0
Schneider Electric Systems New Zealand Limited	New Zealand	100.0	100.0
American Power Conversion Land Holdings Inc.	Philippines	100.0	100.0
Clipsal Philippines	Philippines	100.0	100.0
Pelco Asia Pacific Pte. Ltd	Philippines	100.0	100.0
Schneider Electric (Philippines) Inc.	Philippines	100.0	100.0
Schneider Electric IT Philippines Inc.	Philippines	100.0	100.0
Schneider Electric Asia 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 Overseas Asia Pte Ltd	Singapore	100.0	100.0
Schneider Electric Singapore Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric Software Holdings Singapore Pte Ltd.	Singapore	100.0	100.0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Schneider Electric South East Asia (HQ) Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric Systems Singapore Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric Lanka (Private) Limited	Sri Lanka	100.0	100.0
Schneider Electric Systems Taiwan Corp.	Taiwan	100.0	100.0
Schneider Electric Taiwan Co., Ltd.	Taiwan	100.0	100.0
Pro-Face South-East Asia Pacific Co., Ltd.	Thailand	100.0	100.0
Schneider (Thailand) Limited	Thailand	100.0	100.0
Schneider Electric CPCS (Thailand) Co., Ltd.	Thailand	100.0	100.0
Schneider Electric Software (Thailand) Co. Ltd	Thailand	100.0	-
Schneider Electric Systems (Thailand) Co. Ltd.	Thailand	100.0	100.0
Clipsal Vietnam Co. Ltd	Vietnam	100.0	100.0
Invensys Vietnam Ltd	Vietnam	100.0	100.0
Schneider Electric IT Vietnam Ltd	Vietnam	100.0	100.0
Schneider Electric Manufacturing Vietnam Co., Ltd	Vietnam	100.0	100.0
Schneider Electric Vietnam Co. Ltd	Vietnam	100.0	100.0
Accounted for by equity method			
Delixi Electric Ltd (sub-group)	China	50.0	50.0
Ennovation System Control Co., Ltd	China	40.0	40.0
Sunten Electric Equipment Co., Ltd	China	25.0	25.0
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 Algerie	Algeria	100.0	100.0
Invensys Systems Algérie EURL	Algeria	100.0	100.0
Schneider Electric Algerie	Algeria	100.0	100.0
Schneider Electric Argentina SA	Argentina	100.0	100.0
Schneider Electric Software Argentina SA	Argentina	100.0	-
Schneider Electric Systems Argentina SA	Argentina	100.0	100.0
American Power Conversion Brasil Ltda	Brazil	100.0	100.0
CP Eletronica Ltda	Brazil	100.0	100.0
Eurotherm Ltda	Brazil	100.0	100.0
Schneider Electric Brasil Automação de Processos Ltda	Brazil	100.0	100.0
Schneider Electric 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 Software Brasil Ltda.	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
Telseb Serviços de Engenharia e Comércio de Equipamentos Eletrônicos e Telecomunicações Ltda	Brazil	100.0	-
Inversiones Schneider Electric Uno Limitada	Chile	100.0	100.0
Marisio SA	Chile	100.0	100.0
Schneider Electric Chile SA	Chile	100.0	100.0
Schneider Electric Software Chile SpA	Chile	100.0	-

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Schneider Electric Systems Chile Limitada	Chile	100.0	100.0
Dexson Electric SAS	Colombia	100.0	100.0
Schneider Electric de Colombia SA	Colombia	100.0	80.0
Schneider Electric Software Colombia SAS	Colombia	100.0	-
Schneider Electric Systems Colombia Ltda	Colombia	100.0	100.0
Schneider Electric Centroamerica Ltda	Costa Rica	100.0	100.0
Invensys Engineering & Service S.A.E.	Egypt	51.0	51.0
Invensys Process Systems Egypt Co., Ltd	Egypt	60.0	60.0
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SAE	Egypt	91.0	91.0
Invensys Middle East FZE	Emirates	100.0	100.0
Schneider Electric DC MEA FZCO	Emirates	100.0	100.0
Schneider Electric FZE	Emirates	100.0	100.0
Schneider Electric Software UAE	Emirates	100.0	-
C-Schneider Electric Kenya	Kenya	85.0	85.0
Schneider Electric Services Kuweit	Kuwait	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
Invensys Systems Nigeria Ltd	Nigeria	100.0	100.0
Schneider Electric Nigeria Ltd	Nigeria	100.0	100.0
Schneider Electric Oman LLC	Oman	100.0	100.0
Schneider Electric Pakistan (Private) Limited	Pakistan	80.0	80.0
Schneider Electric Peru SA	Peru	100.0	100.0
Schneider Electric Systems del Peru SA	Peru	100.0	100.0
AMPS	Saudi Arabia	100.0	100.0
EPS Electrical Power Distribution Boards & Switchgear Ltd	Saudi Arabia	100.0	100.0
Invensys Saudi Arabia Co., Ltd	Saudi Arabia	100.0	100.0
Schneider Electric Software Saudi Arabia	Saudi Arabia	100.0	-
Schneider Electric Software South Africa Pty. Ltd.	South Africa	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
Gunsan Elektrik	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
Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
Schneider Electric Uganda Ltd	Uganda	100.0	100.0
Schneider Electric Systems de Venezuela, C.A.	Venezuela	100.0	100.0
Schneider Electric Venezuela, SA	Venezuela	93.6	93.6

6. Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2017

To the Annual General Meeting of Schneider Electric S.E.,

I. Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Schneider Electric S.E. for the year ended December 31, 2017.

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, 2017and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the audit and risks committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

Emphasis of Matter

We draw your attention to the matter described in Note 1.1 to the consolidated financial statements relating to the early application of phases 1 and 2 of IFRS 9 – Financial instruments. Our opinion is not modified in respect of this matter.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of goodwill and trademarks with an indefinite useful life

Notes 1.9, 1.11, 8, 11 and 12 to the consolidated financial statements

Key audit matter

As at December 31, 2017, the carrying amount of goodwill and trademarks with an indefinite useful life is M€ 16,423 and M€ 2,117 respectively, totaling 47 % of the group consolidated assets.

As described in Note 1.11 to the consolidated financial statements, the Cash Generating Units (CGUs), which the goodwill and the trademarks with an indefinite useful are allocated to, are tested for impairment at least once a year and whenever there is an indication of impairment risk.

The Group's CGUs are Low Voltage (Building), Medium Voltage (Infrastructure), Industrial Automation (Industry), and Secure Power (IT), and correspond to the smallest identifiable groups of assets generating cash inflows that are largely independent from the cash inflows from other assets or groups of assets.

The recoverable value of a CGU is defined as the highest value between its value in use and its realizable value net of costs. The value in use of a CGU is determined by discounting future cash flows that will be generated by its underlying assets and which are based on the Group's management's economic assumptions and operating forecasts.

An impairment loss is recognized when the recoverable value of a CGU is lower than its book value, for the excess amount of the book value over the recoverable value. When the tested CGU comprises goodwill, any impairment loss is primarily deducted there from.

We considered the measurement of goodwill and trademarks with an indefinite useful life to be a key audit matter as these assets account for a large part of the group's consolidated balance sheet and because of the level of management's judgment required to:

- define the CGUs, as an improper mapping could lead your Group to not recognize or under-estimate an impairment of goodwill and trademarks with an indefinite useful life;
- determine the assumptions used for the impairment tests, particularly the discount rates, the long-term growth rates and the expected margin rates.

Our response

Our audit work consisted in:

- assessing whether the Group's definition of the CGUs is compliant with the applicable accounting standards;

- reconciling the carrying amount of assets tested with the accounting data;
- assessing the business forecasts underlying the future cash flows by comparing past estimates to actual results;
- with the assistance of our valuation experts, assessing the assumptions used such as discount rates, long-term growth rates and expected margin rates, as well as the sensitivity of tests results to a variation of these assumptions;
- reconciling the sensitivity analyses performed by the Group with our sensitivity calculations;
- verifying the arithmetical accuracy of the computations underlying the impairment tests.

Capitalization and measurement of development costs

Notes 1.9, 1.11, 4 and 12 to the consolidated financial statements

Key audit matter

As at December 31, 2017, the Group's consolidated balance sheet includes capitalized development costs of M€ 1,181.

As described in notes 1.9 and 1.11 to the consolidated financial statements, the costs the Group incurs as part of its new projects are capitalized when the criteria for capitalizing are strictly met and, in particular, when it is probable that future economic benefits attributable to the project will flow to the group.

Development-related assets are amortized from the commercial launch and over the lifespan of the underlying technology.

Development-related assets which are not amortized yet are tested for impairment on an annual basis and whenever there is an indication of impairment risk. As for development-related assets, which are in the amortization period, they are tested for impairment at year-end in case an impairment risk has been identified. The Group recognizes an impairment loss when the recoverable amount of a development-related asset is lower than its carrying amount.

The capitalization and the measurement of development costs are considered to be a key audit matter due to their materiality when compared to the consolidated assets of the Group, and to the management's judgment exercised when initially determining whether such development costs should be capitalized and when subsequently carrying out impairment tests.

Our response

We analyzed the processes the Group implemented for the initial capitalization of development costs, for the identification of projects to be potentially impaired and for the determination of estimates used for the purpose of testing the development-related assets for impairment. Based on a selection of projects, our work consisted in:

- ensuring the capitalization criteria, as set out in the Group's internal procedure, were met and consistently applied;
- reconciling, on a sample basis, the costs capitalized as at December 31, 2017 with the underlying supporting documentation;
- assessing, with the assistance of our valuation experts, the data and assumptions used by the Group when testing development-related assets for impairment, mainly sales forecasts, discount rates and long-term growth rates, by inquiring of management and by comparing future cash flows to past performance;
- corroborating the sensitivity analyses performed by the Group with our sensitivity calculations;
- verifying the arithmetical accuracy of management's computations.

Recognition and recoverability of deferred tax assets related to tax losses carried forward

Notes 1.16 and 16 to the consolidated financial statements

Key audit matter

As at December 31, 2017, the deferred tax assets recognized in the Group's balance sheet, with regards to tax losses carried forward, amount to M€ 683.

As described in note 1.16 to the consolidated financial statements, the Group recognizes future tax benefits, arising from the utilization of tax losses carried forward, to the extent they can reasonably be expected to be achieved, including when such amounts can be indefinitely carried forward.

Management assesses at year-end the recoverability by the Group of its deferred tax assets on tax losses carried forward based on its taxable income forecasts. The appropriate estimation of deferred tax assets relies on the Group's ability to accurately forecast its future taxable incomes.

We considered the initial recognition and the subsequent recoverability of deferred tax assets on tax losses carried forward to be a key audit matter due to the judgment exercised by management when assessing its future taxable incomes.

Our response

In considering the Group's capacity to benefit from its deferred tax assets on tax losses carried forward by offsetting them with future taxable incomes, our audit approach consisted, with the assistance of our tax lawyers when necessary, in:

- inquiring about projected taxable incomes for the subsidiaries or tax consolidation groups at stake;
- assessing the data and assumptions underlying the projected taxable incomes supporting the recognition and the measurement of deferred tax assets by the Group.

Risk assessment and measurement of provisions and contingent liabilities

Notes 1.21, 23 and 29.3 to the consolidated financial statements

Key audit matter

The Group operates in many countries and is thus exposed to different environments in terms of law, regulation and tax. The Group is also subject to the inherent risks of its operations, especially with regard to commercial and industrial aspects.

In this context, the Group may face uncertain, litigious or contentious situations, particularly during tax audits which led or could lead to notifications from local tax authorities.

As described in note 1.21 to the consolidated financial statements, the Group recognizes a provision when it has an obligation towards a third party prior to the balance sheet date, and when 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.

Each subsidiary and relevant departments of the group assess the identified risks on a regular basis, with the assistance of external counsels when necessary.

We considered provisions, which amount to M€ 2,273 as at December 31, 2017, to be a key audit matter given the various risks the Group is exposed to and to the judgment required from management to estimate its risks and the provisions amounts, if any. In case of an incomplete identification of its risks and/or an incorrect evaluation of its exposure, the Group could under- or overestimate its provisions and contingent liabilities.

Our response

Our audit approach consisted mainly in:

- assessing the procedures implemented by the Group to identify and gather the risks it is exposed to;
- obtaining an understanding of the risk analyses performed by the Group, with the relating supporting documentation, and studying written statements from internal and external legal advisors, where applicable;
- assessing, for the main risks identified, the assumptions used by management to measure the provisions accounted for, with the assistance of our experts, if necessary.

V. Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

VI. Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Schneider Electric S.E. by the annual general meetings held on May 6, 2004 for MAZARS and on June 25, 1992 for ERNST & YOUNG et Autres.

As at December 31, 2017, MAZARS and ERNST & YOUNG et Autres were in the fourteenth year and twenty-sixth year of total uninterrupted engagement respectively.

VII. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The audit and risks committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

VIII. Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the audit and risks committee

We submit a report to the audit and risks committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit and risks committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the audit and risks committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the audit and risks committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 12, 2018

The Statutory Auditors

French original signed by

MAZARS

Loic Wallaert

ERNST & YOUNG et Autres

Jean-Yves Jégourel

Alexandre Resten

Parent company financial statements 6

1. Balance sheet

Assets

(in thousands of euros)	Notes	Gross	A. & D. or Prov.	Dec. 31, 2017 Net	Dec. 31, 2016 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	2,043,552	(77)	2,043,475	1,872,266
Advances to subsidiaries and affiliates	2.3	3,178,935	-	3,178,935	3,271,503
Other		-	-	-	-
Total financial investments		**10,822,461**	**(114,347)**	**10,708,114**	**10,629,473**
Total non-current assets		**10,854,383**	**(142,111)**	**10,712,272**	**10,633,631**
CURRENT ASSETS					
Accounts receivable					
Accounts receivable – trade		201	-	201	338
Other	3	110,942	-	110,942	45,252
Total accounts receivable		**111,143**	**-**	**111,143**	**45,590**
Marketable securities and cash					
Marketable securities	4	109,504	(7,815)	101,689	111,951
Advances to the Group cash pool	5	3,967,832	-	3,967,832	5,068,856
Other		118	-	118	307
Total marketable securities and cash		**4,077,454**	**(7,815)**	**4,069,639**	**5,181,114**
Total current assets		**4,188,597**	**(7,815)**	**4,180,782**	**5,226,704**
PREPAYMENTS AND OTHER ASSETS					
Prepaid expenses	6.1	1,113	-	1,113	488
Deferred charges	6.2	15,141	-	15,141	14,860
Call premiums	6.3	23,916	-	23,916	28,343
Translation losses		45,581	-	45,581	140,589
TOTAL ASSETS		**15,128,731**	**(149,926)**	**14,978,805**	**16,044,615**

The notes form an integral part of these parent company financial statements.

Equity and liabilities

(in thousands of euros)	Notes	Dec. 31, 2017	Dec. 31, 2016
EQUITY	7		
Share capital	7.1	2,387,665	2,369,995
Additional paid-in capital	7.2	5,147,245	6,231,414
Reserves			
Legal reserve		243,027	243,027
Retained earnings	7.3	(5,951)	(20)
Net income for the financial year		121,488	(99,730)
Untaxed provisions		2	2
Total equity		**7,893,475**	**8,744,688**
PROVISIONS FOR CONTINGENCIES:	8		
Provisions for contingencies		916	13,287
Total provisions for contingencies		**916**	**13,287**
LIABILITIES:			
Bonds	9	6,567,300	6,939,186
Other borrowings	10	58,842	75,393
Amounts payable to subsidiaries and affiliates		14	14
Borrowings and financial liabilities	11	330,000	56,920
Accounts payable – trade		635	212
Accrued taxes and payroll costs		77,707	70,351
Other		4,128	3,713
Total liabilities		**7,038,626**	**7,145,789**
Deferred income		207	260
Translation gains		45,581	140,590
TOTAL EQUITY AND LIABILITIES		**14,978,805**	**16,044,615**

The notes form an integral part of these parent company financial statements.

2. Statement of income

(in thousands of euros)	Notes	Full year 2017	Full year 2016
Sales of services and other		170	228
Reversals of provisions, depreciation and amortization and expense transfers		226	4
Operating revenues		**396**	**232**
Purchases and external expenses		(8,071)	(9,799)
Taxes other than on income		(1,532)	(2,389)
Payroll expenses		(2,466)	(2,482)
Depreciation and provision expense		-	-
Other operating expenses and joint-venture losses		(2,000)	(1,511)
Operating expenses		**(14,068)**	**(16,181)**
Operating profit/(loss)		**(13,672)**	**(15,949)**
Dividend income	14	99,792	-
Interest income		47,239	52,276
Reversals of impairment provisions for long-term receivables and other		-	-
Financial income		**147,031**	**52,276**
Interest expense		(153,728)	(180,668)
Provision expense		(12,898)	(15,528)
Financial expenses		**(166,626)**	**(196,196)**
Net financial income/(loss)	14	**(19,595)**	**(143,920)**
Current result before taxU		**(33,267)**	**(159,869)**
Proceeds from fixed asset disposals		6	95
Provision reversals and expense transfers	2.2	15,642	14,039
Other		-	1
Non-recurring income		**15,648**	**14,135**
Carrying amount of fixed asset disposals		(1,798)	(1,492)
Provisions, depreciation and amortization		(7,815)	(14,762)
Other		(528)	(338)
Non-recurring expenses		**(10,141)**	**(16,592)**
Net non-recurring income/(loss)	15	**5,508**	**(2,457)**
Net income tax benefit	16	**149,245**	**62,596**
NET INCOME		**121,488**	**(99,730)**

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 EUR161 million, as follows:

- the employee share issuance carried out on July 11, 2017 as part of the worldwide Employee Stock Purchase Plan, for EUR143 million;
- the exercise of performance shares, for EUR18 million.

The Group reimbursed 3 bonds amounting EUR600 million, EUR250 million and EUR180 million. The company issued a bond for EUR750 million.

On May 10, 2017, the 2016 dividend was paid for EUR1,133 million.

Since April 2017, the company proceeded to buy back 2,405,091 of its own shares for EUR171 million.

3.2 Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2017 have been prepared in accordance with French generally accepted accounting principles and with the ANC no. 2016-07 code.

Non-current assets

Non-current assets of all types are stated at cost.

Intangible assets

Intangible rights are amortized over a maximum of 5 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 3 to 10 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 month before the closing 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 FIFO. 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:

- when 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 put 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, 2016	Additions	Disposals	Dec. 31, 2017
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, 2016	Additions	Disposals	Dec. 31, 2017
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, 2017 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, 2016	Increases	Decreases	Dec. 31, 2017
Schneider Electric SE shares	1,872,212	171,210	-	2,043,422
Other	131	-	-	131
Provisions for other shares	(77)	-	-	(77)
NET	**1,872,266**	**171,210**	**-**	**2,043,476**

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 2017, in compliance with the resolution adopted by the Shareholders' Meeting dated April 21, 2017, the company proceeded to the share buyback of 2,405,091 own shares for a total amount of EUR171 million. These Schneider Electric SE shares were not allocated to performance shares plans and thus were accounted for as other investment securities.

2.3 – Advances to subsidiaries and affiliates

(in thousands of euros)

Advances to subsidiaries and affiliates	Dec. 31, 2016	Increases	Decreases	Dec. 31, 2017
Cost	3,271,503	46,174	(138,742)	3,178,935
NET	**3,271,503**	**46,174**	**(138,742)**	**3,178,935**

At December 31, 2017, this item mainly consisted of a loan of EUR2,500 million granted to Schneider Electric Industries SAS with a maturity date of 2018, a loan granted in 2012 to Boissière Finance for a total amount of EUR667 million with a maturity date of 2022 and of accrued interest for a total amount of EUR12 million.

NOTE 3 Other receivables

(in thousands of euros)

Other receivables	Dec. 31, 2017	Dec. 31, 2016
Cost	110,942	45,478
Provisions	-	(226)
NET	**110,942**	**45,252**

At December 31, 2017, the main changes in "Other receivables" relate to the tax receivable linked to 2017 tax credits amounting EUR45 million and tax receivable linked to the reimbursement of the 3% tax on dividends paid during previous years, to be received in 2018 amounting EUR33 million.

NOTE 4 Marketable securities

(in thousands of euros)	Dec. 31, 2016 Number of shares	Dec. 31, 2016 Value	Acquisitions Value	Disposals Value	Dec. 31, 2017 Value	Dec. 31, 2017 Number of shares
TREASURY SHARES						
Gross	4,057,567	126,713	-	(17,209)	109,504	3,456,843
Provisions	-	(14,762)	14,762	(7,815)	(7,815)	-
TOTAL NET	**-**	**111,951**	**14,762**	**(25,024)**	**101,689**	**-**

Marketable securities primarily represent own shares held by the company for allocation to future performance shares plans and, if appropriate, stock-options.

In 2017, following the decision of the board to assign own shares to the performance shares plan 25, a provision of EUR8 million has been recognized. This plan will vest on March, 2019.

In 2016, following the decision of the board to assign own shares to the performance shares plan 21, a provision of EUR15 million had been recognized. This plan vested on March 2017 and consequently the provision has been reversed in 2017.

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 approximately 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, 2016	Increases	Decreases	Dec. 31, 2017
Aug. 11, 2005 due 2017 (EUR600 million)	91	-	(91)	-
Mar. 20, 2009 due 2017 (EUR250 million)	10	-	(10)	-
July 20, 2010 due 2020 (EUR500 million)	606	-	(162)	444
July 12, 2011 due 2018 (EUR750 million)	590	-	(385)	205
Sep. 22, 2011 due 2019 (EUR500 million)	472	-	(229)	243
Sep. 27, 2012 due 2022 (USD800 million)	2,186	-	(377)	1,809
Sep. 6, 2013 due 2021 (EUR600 million)	1,532	-	(312)	1,220
Mar. 11, 2015 due 2025 (EUR750 million)	2,590	-	(304)	2,286
Sep. 8, 2015 due 2023 (EUR800 million)	2,678	-	(382)	2,296
Oct. 13, 2015 due 2025 (EUR200 million)	826	-	(85)	741
Oct. 13, 2015 due 2025 (EUR100 million)	336	-	(35)	301
Sep. 9, 2016 due 2024 (EUR800 million)	2,943	491	(457)	2,977
Dec. 13, 2017 due 2026 (EUR750 million)	-	2,634	(15)	2,619
TOTAL	**14,860**	**3,125**	**(2,844)**	**15,141**

6.3 – Redemption premiums

(in thousands of euros)

Redemption premiums	Dec. 31, 2016	Increases	Decreases	Dec. 31, 2017
Aug. 11, 2005 due 2017 (EUR600 million)	296	-	(296)	-
Apr. 11, 2008 due 2018 (EUR55 million)	611	-	(611)	-
Apr. 11, 2008 due 2018 (EUR125 million)	1,429	-	(1,429)	-
Mar. 20, 2009 due 2017 (EUR250 million)	2,969	-	(2,969)	-
July 20, 2010 due 2020 (EUR500 million)	1,809	-	(485)	1,324
July 12, 2011 due 2018 (EUR750 million)	1,058	-	(691)	367
Sep. 22, 2011 due 2019 (EUR500 million)	1,088	-	(529)	559
Sep. 27, 2012 due 2022 (USD800 million)	971	-	(189)	782
Sep. 6, 2013 due 2021 (EUR600 million)	920	-	(188)	732
Mar. 11, 2015 due 2025 (EUR750 million)	7,289	-	(856)	6,433
Sep. 8, 2015 due 2022 (EUR800 million)	3,734	-	(533)	3,201
Oct. 13, 2015 due 2025 (EUR100 million)	(1,580)	168	-	(1,412)
Sep. 9, 2016 due 2024 (EUR800 million)	7,749	-	(991)	6,758
Dec. 13,2017 due 2026 (EUR750 million)	-	5,212	(40)	5,172
TOTAL	**28,343**	**5,380**	**(9,807)**	**23,916**

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, 2015 before allocation of net income for the year	**2,355**	**7,267**	**239**	**(53)**	**-**	**9,808**
Change in share capital	15	148		-	-	163
Allocation of 2015 net income	-	(57)	4	53	-	-
2015 dividend	-	(1,127)		-	-	(1,127)
2016 net income	-	-	-	(100)	-	(100)
December 31, 2016 before allocation of net income for the year	**2,370**	**6,231**	**243**	**(100)**	**-**	**8,745**
Change in share capital	18	149	(6)	-	-	160
Allocation of 2016 net income	-	(100)		100	-	-
2016 dividend	-	(1,133)		-	-	(1,133)
2017 net income	-	-	-	121	-	121
DECEMBER 31, 2017 BEFORE ALLOCATION OF NET INCOME FOR THE YEAR	**2,388**	**5,147**	**237**	**121**	**-**	**7,893**

7.1 – Capital

Share capital

The company's share capital at December 31, 2017 amounted to EUR2,387,664,968 consisting of 596,916,242 shares with a par value of EUR4, all fully paid up.

Changes in share capital

During the financial year, the EUR18 million increase in share capital breaks down as follows:

- EUR10 million share capital increase as part of the worldwide Employee Stock Purchase Plan with an issuance of 2,413,368 new shares;
- EUR8 million share capital increase for the exercise of performance shares with an issuance of 2,004,115 new shares.

Own shares

The total number of own shares held at the reporting date stood at 39,348,449, representing a net amount of EUR2,152 million.

7.2 – Additional paid-in capital

Additional paid-in capital decreased by EUR1,084 million over the financial year, including EUR149 million from the worldwide Employee Stock Purchase Plan, EUR100 million in allocation of 2016 losses and EUR1,133 million deducted from paid-in capital for the dividend payment.

7.3 – Allocation of 2016 net income

Pursuant to the 3rd resolution of the Ordinary and Extraordinary Shareholders' Meeting of April 25, 2017, the 2016 loss of EUR100 million was allocated to additional paid-in capital and EUR1,209 million was deducted from additional paid-in capital for the payment of the dividend in 2017.

NOTE 8 Provisions for contingencies and pension accruals

(in thousands of euros)	Dec. 31, 2016	Increases	Decreases	Dec. 31, 2017
PROVISIONS FOR CONTINGENCIES				
Disputes	15	-	-	15
Other	13,272	-	(12,371)	901
TOTAL	**13,287**	**-**	**(12,371)**	**916**

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, 2017	Dec. 31, 2016	Interest rate	Maturity
Schneider Electric SE 2017	-	600,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2017	-	125,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2017	-	55,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2018	150,244	150,244	Euribor +0.60% Floating	July 25, 2018
Schneider Electric SE 2017	-	250,000	4.00% Fixed	Aug. 11, 2017
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 2022	667,056	758,942	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	750,000	0.875% Fixed	Mar. 11, 2025
Schneider Electric SE 2023	800,000	800,000	1.50% Fixed	Sep. 08, 2023
Schneider Electric SE 2025	200,000	200,000	1.841% Fixed	Oct. 13, 2025
Schneider Electric SE 2025	100,000	100,000	1.841% Fixed	Oct. 13, 2025
Schneider Electric SE 2024	800,000	800,000	0.25% Fixed	Sep. 09, 2024
Schneider Electric SE 2026	750,000	-	0.875% Fixed	Dec. 13, 2026
TOTAL	**6,567,300**	**6,939,186**		

Fixed: fixed rate.
Floating: floating rate.

Schneider Electric SE has issued bonds during past years 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, for which bonds are traded on the Luxembourg stock exchange.

During the year, the company reimbursed 3 bonds:

- EUR600 million worth of 4% bonds issued in August 2005 and matured in August 2017;
- 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;
- 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.

The company issued a bond for EUR750 million at 0.875%, maturing on December 13, 2026.

At December 31, 2017, the remaining bonds are as follows:

- EUR800 million worth of 0.25% bonds issued in September 2016 and maturing on September 9, 2024 and described above;
- EUR600 million worth of 2.50% bonds issued in September 2013 and maturing on September 6, 2021;
- 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;
- EUR500 million worth of 3.625% bonds issued in July 2010 and maturing on July 20, 2020;
- EUR177 million worth of floating-rate bonds issued in July 2008 and maturing on July 25, 2018, decreased to EUR150 million through the repayment in June 2014 of EUR27 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.

The issue premiums and issuance costs are amortized in line with the effective interest method.

NOTE 10 Other borrowings

Other borrowings at December 31, 2017 included accrued interest on bonds and other debt issued by the company. Accrued interest amounted to EUR59 million, compared to EUR75 million at end-2016.

NOTE 11 Interest-bearing liabilities

Interest-bearing liabilities *(in thousands of euros)*	**Dec. 31, 2016**	**Increase**	**Decrease**	**Dec. 31, 2017**
Commercial paper	56,920	3,723,899	(3,450,819)	330,000
Overdrafts	-	-	-	-
Other	-	-	-	-
NET	**56,920**	**3,723,899**	**(3,450,819)**	**330,000**

In 2017, commercial paper were issued and partially reimbursed over the period. The balance amounted to EUR330 million at the end of 2017.

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	3,178,935	2,511,879	667,056	
CURRENT ASSETS				
Accounts receivable – trade	201	201	-	-
Other receivables	110,942	108,995	-	1,947
Marketable securities	101,689	101,689	-	-
Prepaid expenses	1,113	1,113	-	-
DEBT				
Bonds	6,567,300	750,000	2,417,300	3,400,000
Other borrowings	58,842	58,842	-	-
Commercial paper	330,000	330,000	-	-
Amounts payable to subsidiaries and affiliates	14	-	14	-
Accounts payable – trade	635	635	-	-
Accrued taxes and payroll costs	77,707	77,707	-	-
Other	4,128	4,128	-	-
Deferred income	207	207	-	-

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	3,178,935	3,178,935
Accounts receivable	141	141
Cash and cash equivalents	3,967,832	3,967,832
Revenues:		
◆ rebilled performance shares		12,633
◆ interest		25,347

NOTE 14 Net financial income/(loss)

(in thousands of euros)	Full year 2017	Full year 2016
Dividends	99,792	-
Net interest income (expense)	(106,490)	(128,392)
Other	(12,898)	(15,528)
NET FINANCIAL INCOME/(LOSS)	**(19,595)**	**(143,920)**

In 2017, the company receive EUR99,8 million of dividends from Schneider Electric Industries SAS.

NOTE 15 Net non-recurring income/(loss)

(in thousands of euros)	Full year 2017	Full year 2016
Net gains/(losses) on fixed asset disposals	(277)	(60)
Provisions net of reversals	6,947	(1,280)
Other non-recurring income/(expense)	(1,162)	(1,117)
NET NON-RECURRING INCOME/(LOSS)	**5,508**	**(2,457)**

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 2017 income tax due, for EUR149 million, which represents a EUR87 million increase on last year mainly due to the reimbursement of the 3% tax on dividend.

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 totaled EUR2,050 million at December 31, 2017.

NOTE 17 Pension benefit commitment

The company had taken commitments towards its executives, active managers and retirees. In 2015, the company closed the top-hat executive pension plans. Since 2015, there is no more active beneficiary. The company has outsourced to AXA France VIE the commitments towards the retires beneficiaries the top-hat executive pension plans.

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: EUR2,051 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 instruments at December 31, 2017.

NOTE 19 Other information

19.1 – Workforce

The average number of employees is 2 over 2017.

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.

4. Statutory auditors' report on the annual financial statements

Year ended December 31, 2017

Statutory auditors' report on the financial statements

I. Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Schneider Electric S.E. for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at the closing date of the year and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the audit and risks committee.

II. Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

III. Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of investments in subsidiaries and affiliates and advances to subsidiaries and affiliates

« Accounting principles » and note 2 « Investments » of the notes to the parent company financial statements

Key audit matter

As of December 31, 2017, investments in subsidiaries and affiliates and related advances amount to M€ 5,486 and M€ 3,179 respectively in the balance sheet of Schneider Electric S.E., net of any impairment loss.

As described in the accounting principles of the parent company financial statements, investments are stated at acquisition cost and impaired, should their carrying amount exceed their estimated value in use at closing date. The estimated value in use of investments is determined primarily based on the subsidiaries and affiliates' net assets as well as on their earnings outlook and the underlying economic forecasts.

Due to the judgment exercised by management as part of this estimate, especially when relying on forecasts, we considered the valuation of investments in subsidiaries and affiliates, as well as the valuation of related advances and provisions for risk, to be a key audit matter.

Our response

As part of our audit, we analyzed the procedures implemented by your company for determining the value in use of investments in subsidiaries and affiliates. Our procedures included:

- Comparing the share in the subsidiaries and affiliates' net assets, when used as a proxy for their value in use, with their underlying accounting data, which were subject to an audit or to analytical procedures;
- Examining the appropriateness of the valuation method used to determine the value in use, when based on forecasts;
- Assessing the reasonableness of key assumptions used to estimate values in use, mainly the long-term growth rate and the discount rate, by inquiring of management and with the assistance of our experts, when needed;
- Performing an arithmetical check of computations performed by your Company;
- Assessing the recoverability of advances to subsidiaries and affiliates, based on their impairment tests results;
- Ensuring your Company recognized a provision for risk, in case it is liable to provide financial support to a subsidiary with negative equity.

IV. Verification of the Management Report and of the Other Documents Provided to Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information provided in the Management Report and in the Other Documents Provided to the Shareholders with respect to the financial position and the financial statements

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 other documents provided to the Shareholders with respect to the financial position and the financial statements.

Report on Corporate Governance

We confirm the existence in the Report on Corporate Governance of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (Code de commerce).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Regarding the information on factors that your company considered could have a potential incidence in case of public takeover or swap bid, given in accordance with the requirements of Article L. 225-37-5 of the French Commercial Code (Code de commerce), we have confirmed they are in accordance with the underlying documentation provided to us. Based on this work, we have no matter to report on this information.

Other 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 and holders of the voting rights has been properly disclosed in the management report.

V. Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Schneider Electric S.E. by the annual general meeting held on May 6, 2004 for MAZARS and on June 25, 1992 for ERNST & YOUNG et Autres.

As at December 31, 2017, MAZARS and ERNST & YOUNG et Autres were in the fourteenth year and twenty-sixth year of total uninterrupted engagement respectively.

VI. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The audit and risks committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

VII. Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based

on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the audit and risks committee

We submit a report to the audit and risks committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit and risks committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the audit and risks committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the audit and risks committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 12, 2018

The Statutory Auditors

French original signed by

MAZARS	ERNST & YOUNG et Autres
Loic Wallaert	Jean-Yves Jégourel
	Alexandre Resten

5. List of securities held at December 31, 2017

Number of securities *(in thousands of euros)*	Company	Carrying amount of securities
A. MAJOR INVESTMENTS		
(Carrying amounts over EUR5 million)		
58,018,657	Schneider Electric Industries SAS	5,343,544
35,891,606	Schneider Electric SE own shares	2,043,422
		7,386,966
B. OTHER INVESTMENTS		
(Carrying amounts under EUR5 million)		1,038
C. INVESTMENTS IN REAL ESTATE COMPANIES		-
D. INVESTMENTS IN FOREIGN COMPANIES		139,074
Total		**7,527,076**
MARKETABLE SECURITIES		
3,456,843	Schneider Electric SE own shares	101,689
TOTAL		**101,689**

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	7,987,738	10,000
Cofimines Place du Champs-de-Mars, 5, tour Bastion 1050 Brussels, Belgium	96,884	42,216	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)	19,324	27,488	4.8

* *Including income or loss in prior financial year.*

Gross value	Net value	Loans and advances provided by the company and still outstanding	Amount of guarantees given by the company	2017 Revenues (ex. VAT)	2017 Profit or loss (-)	Dividends received by the company during 2017
5,343,544	5,343,544	2,506,389	-	3,471,704	1,217,739	99,792
219,894	139,074	-	-	Holding company	14	-
-	-	-	-	-	-	-
15,288	1,038	-	-	-	-	-
130	53	-	-	-	-	-
21,249	2,049	-	-	-	59,967	-

7. The company's financial results over the last 5 years

Description	2017	2016	2015	2014	2013
FINANCIAL POSITION AT DECEMBER 31					
Share capital *(in thousands of euros)*	2,387,665	2,369,995	2,354,938	2,338,765	2,247,832
Number of shares in issue	596,916,242	592,498,759	588,734,472	584,691,142	561,958,023
Number of convertible bonds in issue *(in thousands)*					
Maximum number of shares to be created (in thousands):					
◆ through conversion of bonds	-	-	-	-	-
◆ through exercise of rights	8,271	9,562	7,773	8,906	8,794
RESULTS OF OPERATIONS (IN THOUSANDS OF EUROS)					
Sales (ex. VAT)	170	228	209	182	2,194
Investment revenue, interest income and other revenue	147,031	52,276	54,587	104,963	135,866
Earnings before tax, depreciation, amortization and provisions	(22,861)	(146,799)	(139,013)	(134,722)	(154,000)
Income tax	55,213	(53,632)	(41,456)	(181,865)	91,443
Earnings after tax, depreciation, amortization and provisions	121,488	(99,730)	(52,585)	341,124	(132,771)
Dividends paid[(1)] excluding tax credit and withholdings	1,313,216[(2)]	1,208,697	1,177,469	1,122,607	1,050,862
RESULTS OF OPERATIONS PER SHARE *(in euros)*					
Earnings before depreciation, amortization and provisions	0.05	(0.14)	(0.06)	0.61	(0.28)
Earnings after tax, depreciation, amortization and provisions	0.20	(0.17)	(0.09)	0.58	(0.24)
Net dividend per share	2.20[(2)]	2.04	2	1.92	1.87
EMPLOYEES					
Average number of employees during the financial year	2	1	1	2	2
Total payroll for the financial year (in thousands of euros)	1,670	1,507	2,684	1,039	996
Total of employee benefits paid over the financial year	-	-	-	-	-
(Social security, other benefits, etc.) *(in thousands of euros)*	796	974	1,028	653	459

(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 24, 2018.

7 Information on the Company and its capital

This chapter includes elements of the board of directors' governance report.

Section 2 (Annual Shareholders' Meetings and voting rights), the table of section 3.3 (pending delegations relating to share capital increase) and section 6 (lock-up period applicable to executive officers), as well as Chapter 3 constitute the board of directors' governance report prepared in accordance with article L.225-37 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.

As at December 31, 2017, the Company's share capital was EUR2,387,664,968. 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 Annual Shareholders' Meetings (article 19 of the articles of association)

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

Annual Shareholders' Meetings are called and run in accordance 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 1367 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 2 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 2 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 part of the board of directors' governance report.

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 1 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 2 years prior to the end of the calendar year preceding that 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 shareholders' meeting of beneficiaries benefiting from double voting rights.

The minimum holding period to qualify for double voting rights was reduced from 4 to 2 years by decision of the Ordinary 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 Ordinary 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 5 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 5 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. 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 1 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 Ordinary 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 Ordinary 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, 2017 amounted to EUR2,387,664,968 represented by 596,916,242 shares with a par value of EUR4, all fully paid up. 626,070,223 voting rights were attached to the 596,916,242 outstanding shares as at December 31, 2017.

3.2 Potential capital

At December 31, 2017, the potential capital consisted of:

- 556,983 shares under the stock option plans 29 to 33;
- 7,714,323 shares under the performance share or stock grant Plans 18 to 29 *bis*, excluding plans 16 *bis*, 21, 21 *bis* and 25 relating to shares to be issued and to existing shares or shares to be issued whose type will be determined later;
- together, these plans represent a total of 8,271,306 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 1.39% of share capital at December 31, 2017.

3.3 Authorizations to issue shares

The Ordinary and Extraordinary Shareholders' Meetings of April 25, 2017 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 pre-emptive 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 placement' 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 9.7% 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 Company Savings Plan, 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 share ownership among employees in non-French companies of the Group, within a limit of 1% of the Company's share capital as of April 25, 2017 to be applied to the ceiling for the authorization given in 3 above.

In addition, the following authorizations were given to the board of directors at the Shareholders' Meeting of April 25, 2016:

1) to grant existing shares or shares to be issued 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 2% of the Company's issued share capital as of April 25, 2016;
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 share capital as of April 25, 2016;

At its meeting of December 14, 2017, the board of directors authorized the issue of new shares to employees, within a limit of 0.62% of the capital. These capital increases reserved for employees, whether part of the Company Savings Plan or not, will take place in June 2018; the subscription prices will be set on that date.

The Annual Shareholders' Meeting to be held on April 24, 2018 (see pages 344 to 355) will be requested to renew all of the authorizations for issuance of new shares reserved for employees.

This table is part of the board of directors' governance report.

	Maximum par value of authorized capital increases	Number of shares *(millions)*	Authorization date/authorization expires	Amount used at Dec. 31, 2017 *(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. 25, 2017	6.1(3)
			June 24, 2019	
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. 25, 2017	6.1(3)
			June 24, 2019	
b) to make private placements of shares	115 million(1)(2)	28.75	Apr. 25, 2017	
			June 24, 2019	
c) to issue new shares as consideration for unlisted securities	9.7% of the capital(1)(2)	57.5	Apr. 25, 2017	
			June 24, 2019	
III – Employee share issues				
Company savings plan	2% of the capital(6)	11.88	Apr. 25, 2017	3.7(3)
			June 24, 2019	
Share issues to promote share ownership among employees in foreign companies of the Group	1% of the capital(4 (6)	5.94	Apr. 25, 2017	-(3)
			Oct. 24, 2018	
Stock options	0.5% of the capital(7)	2.9	Apr. 25, 2016	-
			June 24, 2019	
Free shares or performance shares	2% of the capital(7)	11.78	Apr. 25,2016	2.5(5)
			June 24, 2019	

(1) The overall ceiling for issues is capped at an aggregate EUR800 million.
(2) Within the limit of the ceiling of EUR230 million in a).
(3) At its meeting of December 14, 2017, the board of directors authorized capital increases reserved for employees, within a limit of a global amount of 3.7 million shares, i.e. 0.62% of the capital. These capital increases reserved for employees, whether part of the Company Savings Plan or not, under a non-leveraged stock ownership plan, will take place in June 2018. The subscription prices will be set on that date. The capital increase reserved for employees participating in 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 2017 are counted towards these amounts, and resulted in the issue of 2.4 million shares.
(4) Issuances of shares reserved for employees in non-French subsidiaries will be deducted from the ceiling for capital increases reserved for employees participating in a Company savings Plan.
(5) At the board of directors' meeting of October 26, 2016, 35,700 shares were granted under the 2016 long-term incentive plan. At the board of directors' meeting of March 24, 2017, 2.4 million shares were granted under the 2017 long-term incentive plan. At the board of directors' meeting of October 25, 2017, 32.400 shares were granted under the 2017 long-term incentive plan. In addition, at the board of directors' meeting of February 14, 2018, the principle was agreed that a maximum of 2.4 million shares would be granted under the 2018 long-term incentive plan.
(6) On the date of the 2017 Annual Shareholder's Meeting, the share capital was EUR2,376 million.
(7) On the date of the 2016 Annual Shareholder's Meeting, the share capital was EUR2,355 million.

3.4 Three-year summary of changes in capital

The following table shows changes in Schneider Electric SE's share capital and additional paid-in-capital since December 31, 2014 through capital increases and the exercise of stock options:

	Number of shares issued or canceled	Cumulative number of shares	Total
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 as of Dec. 31, 2014(1)		**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 as of Dec. 31, 2015(2)		**588,734,472**	**EUR2,354,937,888**
Employee share issue	2,842,752		
Exercise of stock options, warrants and performance shares issued	921,535		
Capital as of Dec. 31, 2016(3)		**592,498,759**	**EUR2,369,995,036**
Employee share issue	2,413,368		
Exercise of stock options and performance shares issued	2,004,115		
CAPITAL AS OF DEC. 31, 2017(4)		**596,916,242**	**EUR2,387,664,968**

(1) Increase in share capital (EUR90.9 million), increase in additional paid-in-capital (EUR1,137.1 million).
(2) Increase in share capital (EUR16.2 million), increase in additional paid-in-capital (EUR141.02 million).
(3) Increase in share capital (EUR15.1 million), increase in additional paid-in-capital (EUR148 million).
(4) Increase in share capital (EUR17.7 million), increase in additional paid-in-capital (EUR149 million).

3.5 Share buybacks

The Annual Shareholders' Meeting of April 25, 2016 authorized the Company to buy back shares. This authorization was renewed by the Annual Shareholders' Meeting of April 25, 2017.

Pursuant to these authorizations, the Company bought back 2,405,091 of its own shares during the year.

Details of the share buyback program to be submitted for approval to the Annual Shareholders' Meeting of April 24, 2018 are as follows:

- number of shares and percentage of share capital held directly and indirectly by Schneider Electric SE (as of January 31, 2018):
  - own shares: 39,348,449 shares, *i.e.* 6.59% of share capital,
  - treasury shares: 1,058 shares,
  - total: 39,349,507 shares, *i.e.* 6.59% of share capital;

  it being specified that on February 14, 2018 the board of directors cancelled 22 million shares bringing the number of treasury shares down to 17,348,449, *i.e.* 2.91%;
- overview of purposes for which shares have been held:
  - the 39,348,449 shares held in own shares as at January 31, 2018 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,
  - undertaking (for exchange, payment or other purposes) external growth transactions, mergers, spin-offs or contributions,
  - 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 as of January 31, 2018, a total of 59,692,798 Schneider Electric SE shares with a nominal value of EUR4,
  - taking into account treasury stock and own shares at January 31, 2018 (39,349,507 shares), the number of shares that could be bought back under the authorization is 20,343,291 or 3.4% of the capital as of January 31, 2018; this number of shares has been brought up to 42,343,291 after the cancellation of shares implemented on February 14, 2018;
- 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,
  - EUR5,372,246,160;
- duration of the buyback program:
  - 18 months maximum, expiring on October 23, 2019;
- transactions carried out pursuant to the program authorized by the Annual Shareholders' Meeting 2017 between April 26, 2017 and February 14, 2018:
  - transactions carried out by the Company:
    - number of shares acquired: 2,405,091,
    - number of shares transferred: 19,371.

4. Ownership structure

4.1 Three-year summary of changes in capital[1]

	Dec. 31, 2017				Dec. 31, 2016		Dec. 31,2015	
	Capital	Number of shares	Voting rights	Number of voting rights	Capital	Voting rights	Capital	Voting rights
	%		%		%	%	%	%
Sun Life Financial, Inc.	5.9	35,187,831	5.6	35,187,831	5.8	5.4	5.4	4.0
BlackRock, Inc.	5.5	32,757,904	5.2	32,757,904	5.2	4.8	5.0	4.7
Group CDC	0.9	5,490,741	1.8	10,981,482	2.5	4.7	3.1	5.8
Employees	4.1	24,473,565	7.4	46,329,197	4.5	7.1	3.8	6.0
Treasury shares	6.6	39,349,507	-	-	6.3	-	4.0	-
Public	77.0	459,656,694	80.0	500,813,809	75.7	77.9	78.7	79.5
TOTAL	**100.0**	**596,916,242**	**100.0**	**626,070,223[2]**	**100.0**	**100.0**	**100.0**	**100.0**

(1) Table lists ownership stakes that have breached 5% ownership voting rights threshold in the previous 3 years, to the best of the company's knowledge.
(2) Number of voting rights as defined in article 223-11 of the AMF General Regulation, which includes shares deprived of voting rights.

Disclosure thresholds

To the best of the company's knowledge, no shareholders other than Sun Life Financial, Inc. and BlackRock Inc., both 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 (%)
January 13, 2017	BlackRock	5.01	4.70
January 20, 2017	BlackRock	5.42	5.08
May 4, 2017	BlackRock	5.20	4.98
May 9, 2017	BlackRock	4.94	4.70
May 17, 2017	BlackRock	5.07	4.83
May 30, 2017	BlackRock	4.99	4.76
June 12, 2017	BlackRock	5.02	4.78
June 22, 2017	BlackRock	4.96	4.72
June 23, 2017	BlackRock	5.05	4.81
June 26, 2017	BlackRock	4.99	4.76
June 27, 2017	BlackRock	5.01	4.77
June 28, 2017	BlackRock	4.92	4.68
August 3, 2017	BlackRock	5.00	4.76
August 4, 2017	BlackRock	5.00	4.76
August 14, 2017	BlackRock	5.03	4.79
August 15, 2017	BlackRock	4.98	4.74
August 16, 2017	BlackRock	5.02	4.79
August 17, 2017	BlackRock	4.95	4.71
August 25, 2017	BlackRock	4.90	4.67
August 31, 2017	BlackRock	5.00	4.76
September 5, 2017	BlackRock	4.97	4.73
September 13, 2017	BlackRock	5.01	4.78
September 14, 2017	BlackRock	4.94	4.71
October 9, 2017	BlackRock	5.07	4.84
October 10, 2017	BlackRock	4.93	4.71
October 24, 2017	BlackRock	5.02	4.79
October 25, 2017	BlackRock	4.92	4.69
October 27, 2017	BlackRock	5.00	4.77
December 6, 2017	BlackRock	4.98	4.75
December 7, 2017	BlackRock	5.06	4.82

Pledges on Schneider Electric SE shares

499,353 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 5 years were:

(in millions of euros)	2017	2016	2015	2014	2013
Profit-based incentive plans and profit-sharing plans	71.7	75.2	66.4	63.5	76.7

In 2017, 54% of the total from incentives and profit-sharing was invested in the Schneider Electric shareholder fund and nearly 17% was received by employees in cash.

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 through 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 for its employees.

The Group's last employee share issue took place in July 2017. This operation, without leverage effect, was offered to over 80% of employees, 41% of employees subscribed to the share capital increase and 2.4 million shares were thus subscribed for a total amount of EUR143 million.

On December 31, 2017, Group employees held a total of 24.6 million Schneider Electric SE shares through the corporate mutual funds (FCPE) or directly, or through Performance share plans, representing 4.1% of the capital and 7.4% 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 spread among nearly 60 countries, with the following breakdown: 28% in France, where they represent 47% of employee shareholding, 13% in China, 10% in the United States and India, and 39% elsewhere. Nearly half of all employees are shareholders of the Group.

6. Shares and stock option plans

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

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 US citizens or residents, stock appreciation rights (SARs) have been granted. No stock options or SARs 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 3,441 beneficiaries in 2016 long-term incentive plan and 2,318 in the 2017 long-term incentive plan.

Allocations to Group Senior Management, including Corporate Officers, represented 10.1% of the total attributions in the framework of the 2016 long-term incentive plan. They are of 11.9% in the framework of the 2017 long-term incentive plan.

In addition, Schneider Electric exceptionally grants free shares. These grants 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.

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 2 years each.

For the French plan 25, the vesting period for share allocations is 3 years, and the lock-up period is 2 years.

For international plans (plans 11 *bis*, 14, 14 *bis*, 14 *ter*, 16, 16 *bis*, 18, 18 *bis*, 22 and 22 *bis*, 26), the vesting period for share allocations is 4 years. There is no lock-up period.

For plans 27, 29 and 29 *bis* applicable in France and internationally, the vesting period for share allocations is 3 years. There is no lock-up period.

For plan 28, applicable to Corporate Officers, the vesting period is 3 years. There is a lock-up period of 1 year.

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 332).

Since January 2009, for Corporate Officers, and since December 2011 for members of the Executive Committee, allocations of performance shares are subject in full to the achievement of performance conditions.

Description of the options allocated

The option exercise price was equal to the average closing price of the 20 trading days prior to the date of allocation. No discount is applied.

Since 2006, the options had a 10-year life. They could not be exercised until after the fourth year. However, they could 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, the exercise of all or part of the options was dependent on specific targets being met, detailed below (see page 308). All of the options granted to Corporate Officers have been subject to performance criteria since January 2009.

Description of Stock Appreciation Rights (SARs)

SARs mirror the mechanism of options. They are subject to conditions, particularly performance criteria. The beneficiary receives the proceeds in cash.

(1) The figures below have been calculated where necessary to take account of the 2-for-1 share split, effective from September 2, 2011.

Lock-up period applicable to Corporate Officers

The board of directors has set:

- a retention target of shares representing 3 years of base salary for Mr. Jean-Pascal Tricoire, and 2 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;
- mandatory investment in Schneider Electric SE shares of 10% of the selling price (net of taxes and contributions) of performance share grants acquired through plans set up since 2009.

These obligations are suspended once the shareholding targets described above are met.

Corporate 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 Corporate Officers

Mr. Jean-Pascal Tricoire

As of December 31, 2017, Mr. Jean-Pascal Tricoire's situation with regard to stock options and shares grants was as follows:

(i) 188,356 options may be exercised under plans 31, 33;

(ii) 208,930 shares are being acquired and are subject to performance conditions under plans 18, 19b, 20b and c, 22, 25, 26, 28, 29;

(iii) 39,470 performance shares are vested under plans 17, 19a, 20a and 21 and will become available as of March 31, 2018 (14,040 shares), February 20, 2020 (3,800 and 8,850 shares), March 27, 2020 (12,780 shares) respectively;

(iv) 133,238 performance shares are vested and are available under plans 1, 3, 5, 8, 10, 15 and 16;

(v) 231,901 shares issued from stock options exercised under plan 20, 24, 28 and 30.

Mr. Emmanuel Babeau

As of December 31, 2017, Mr. Emmanuel Babeau's situation with regard to stock options and shares grants was as follows:

(i) 68,922 shares are being acquired under plans 19b, 20b, 22, 25, 26, 28 and 29;

(ii) 29,568 performance shares are vested under plans 17, 19a, 20a and 21 and will become available as of March 31, 2018 (20,280 shares), February 20, 2020 (1,125 and 2,625 shares) and March 27, 2019 (5,538 shares) respectively;

(iii) 46,000 performance shares are vested and are available under plans 13 and 15.

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, 2017(1)
29	04/23/2007	43	166,300	45.55	50% of options – 2007 and 2008 operating margin and revenue	100	-	-
30	12/19/2007	542	1,889,852	42	50% of options – 2008 and 2009 operating margin and revenue	-	887,952	-
31	01/05/2009	328	1,358,000	23.78	50% of options/100% for the management board – 2011 operating margin(2) and 2009 to 2011 EPS compared to a benchmark selection(3)	80	133,760	156,633
33	12/21/2009	391	1,652,686	34.62	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	-	400,350
			5,066,838			**-**	**1,021,712**	**556,983**

* *The data above are adjusted of the 2-for-1 share split, effective September 2, 2011 and the adjustment made in May 2014, May 2015, May 2016 and May 2017.*
(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 (2017)*

Plan	Plan date	Type of plan(1)	Expiration date	Exercise price *(in euros)*(2)	Plans as at December 31, 2016	Of which Corporate Officers	Number of options exercised during the financial year	Number of options cancelled during the financial year	Options outstanding at December 31, 2017
29	04/23/2007	S	04/22/2017	45.55	46,164	-	(36,576)	(9,588)	-
30	12/19/2007	S	12/18/2017	42	222,377	45,924	(210,882)	(11,495)	-
31	01/05/2009	S	01/04/2019	23.78	257,209	76,681	(107,444)	6,868	156,633
33	12/21/2009	S	12/20/2019	34.62	553,224	106,489	(162,268)	9,394	400,350
					1,078,974	**229,094**	**(517,170)**	**(4,821)**	**556,983**

* *The data above are adjusted for the 2-for-1 share split, effective September 2, 2011 and for the adjustment carried out in May 2014, May 2015, May 2016 and May 2017.*
(1) S = Subscription stock option plan.
(2) Average of the 20 quotations preceding the grant, with no discount or premium.

6.3 Situation of Corporate Officers(1), broken down by plan (at December 31, 2017)*

31	Jean-Pascal Tricoire	78,852
33	Jean-Pascal Tricoire	109,504

* *The data above are adjusted for the 2-for-1 split, effective September 2, 2011, and for the adjustment carried out in May 2014, May 2015, May 2016 and May 2017.*
(1) In the role as Corporate Officer at the date of grant.

6.4 Past share plans (at December 31, 2017)*

Plan Number	**Plan 14 *ter***	**Plan 15**	**Plan 15 *bis***
Grant date	07/27/2012	03/28/2013	10/24/2013
No. of shares at grant	1,500	645,550	4,500
of which:			
◆ J.-P. Tricoire	-	15,000	-
◆ E. Babeau	-	24,000	-
Vesting/delivery date	07/28/2016	03/28/2015	10/24/2015
End of holding period		03/28/2017	10/26/2017
Performance conditions	50% of the shares/100% for the management board and Executive Committee – 2012 and 2013 operating margin(2) and change in the Planet & Society Barometer at the end of 2013	50% of the shares/100% for the management board and Executive Committee – 2013 and 2014 operating margin(2) and change in the Planet & Society Barometer at the end of 2014	Same as plan 15
% achievement performance condition	100%	100%	100%
No. rights outstanding as of Dec. 31, 2017	-	-	-
No. rights granted in 2017			
No. shares delivered in 2017			
No. rights cancelled(1) in 2017		-	-
No. rights outstanding as of Dec. 31, 2017	**-**	**-**	**-**

** The data are adjusted for the 2-for-1 share split, effective September 2, 2011.*
(1) Rights cancelled for non-achievement of performance and presence condition.
(2) Excluding restructuring costs.

Plan 16	Plan 16 *bis*	Plan 17	Plan 17 *bis*	Plan 18
03/28/2013	10/24/2013	03/31/2014	10/28/2014	03/31/2014
1,844,830	19,600	714,480	500	2,177,320
35,000	-	18,000	-	42,000
-	-	26,000	-	-
03/28/2017	10/24/2017	03/31/2106	10/28/2016	03/31/2018
		04/02/2018	10/29/2018	04/02/2018
Same as plan 15	Same as plan 15	50% of the shares/100% for the Corporate Officers and Executive Committee – 2014 and 2015 operating margin[2], average ROCE for the years 2014 and 2015 and change in the Planet & Society Barometer at the end of 2015	Same as Plan 17	Same as Plan 17
100%	100%	78%	78%	78%
1,563,180	19,100	-	-	1,710,275
(1,470,255)	(13,500)			(890)
(92,925)	(5,600)			(222,977)
-	**-**	**-**	**-**	**1,486,408**

Plan Number	Plan 18 *bis*	Plan 19 a & b	Plan 20 a & b & c	Plan 21
Grant date	10/28/2014	02/18/2015	02/18/2015	03/27/2015
No. of shares at grant	30,900	14,025	32,725	719,970
of which:				
◆ J.-P. Tricoire	-	11,700	27,300	18,000
◆ E. Babeau	-	2,325	5,425	7,800
Vesting/delivery date	10/28/2018	02/18/2017 02/18/2018	02/18/2017 02/18/2018 02/18/2019	03/27/2017
End of holding period		02/19/2020 02/20/2020	02/18/2020 02/19/2020 02/20/2020	03/27/2019
Performance conditions	Same as Plan 17	No performance condition	No performance condition	50% of the shares/100% for the Corporate Officers and Executive Committee – 2015 and 2016 operating margin(2), average ROCE for the years 2015 and 2016 and change in the Planet & Society Barometer at the end of 2016
% achievement performance condition	78%	-	-	71%
No. rights outstanding as of Dec. 31, 2017	26,433	14,025	32,725	698,870
No. rights granted in 2017				
No. shares delivered in 2017		(4,925)	(11,475)	(581,353)
No. rights cancelled(1) in 2017	(712)			(117,517)
No. rights outstanding as of Dec. 31, 2017	**25,721**	**9,100**	**21,250**	**-**

* *The data are adjusted for the 2-for-1 share split, effective September 2, 2011.*
(1) Rights cancelled for non-achievement of performance and presence condition.
(2) Excluding restructuring costs.

Plan 21 *bis*	Plan 22	Plan 22 *bis*	Plan 22 *ter*	Plan 23
10/28/2015	03/27/2015	10/28/2015	10/28/2015	03/23/2016
1,500	2,095,610	32,650	24,570	7,983
-	42,000	-	-	-
-	18,200	-	-	-
10/28/2017	03/27/2019	10/28/2019	10/28/2019	03/23/2018
10/30/2019				03/23/2020
Same as plan 21	Same as plan 21	Same as plan 21	No performance condition	No performance condition
71%	71%	71%	-	-
1,500	2,006,360	32,650	24,570	7,983
(1,283)				
(217)	(494,196)	(5,585)		
-	**1,512,164**	**27,065**	**24,570**	**7,983**

Plan Number	**Plan 24**	**Plan 25**	**Plan 26**
Grant date	03/23/2016	03/23/2016	03/23/2016
No. of shares at grant	27,042	744,540	2,291,200
of which:			
◆ J.-P. Tricoire	-	18,000	42,000
◆ E. Babeau	-	7,800	18,200
Vesting/delivery date	03/23/2020	03/30/2019	03/23/2020
End of holding period	03/23/2020	03/31/2021	N/A
Performance conditions	No performance condition	50% of the shares/100% for the Corporate Officers and Executive Committee – 2016, 2017, 2018 adjusted EBITA achievement rate, 2016, 2017, 2018 cash conversion rate average, TSR ranking & Planet & Society Barometer index at the end of 2018	Same as Plan 25
% achievement performance condition	-	-	-
No. rights outstanding as of Dec. 31, 2017	27,042	743,390	2,273,400
No. rights granted in 2017			
No. shares delivered in 2017		(1,900)	
No. rights cancelled(1) in 2017		(3,750)	(152,650)
Nb rights outstanding as of Dec. 31, 2017	**27,042**	**737,740**	**2,120,750**

* *The data are adjusted for the 2-for-1 share split, effective September 2, 2011.*
(1) Rights cancelled for non-achievement of performance and presence condition.
(2) Excluding restructuring costs.

Plan 27	Plan 28	Plan 29	Plan 29 *bis*	Total
10/26/2016	03/24/2017	03/24/2017	10/25/2017	
35,700	25,800	2,405,220	32,400	13,930,115
-	18,000	42,000	-	329,000
-	7,800	18,200	-	135,750
10/26/2019	03/24/2020	03/24/2020	10/25/2020	
N/A	03/23/2021	N/A	N/A	
70% of the shares – 2016, 2017, 2018 adjusted EBITA [2] achievement rate, 2016, 2017, 2018 cash conversion rate average, TSR ranking & Planet & Society Barometer index at the end of 2018	100% for the Corporate Officers and Executive Committee – 2017, 2018, 2019 adjusted EBITA [2] achievement rate, 2017, 2018, 2019 cash conversion rate average, TSR ranking & Planet & Society Barometer index at the end of 2019	same as plan 28	70% of the shares, 2017, 2018, 2019 adjusted EBITA [2] achievement rate, 2017, 2018, 2019 cash conversion rate average, TSR ranking & Planet & Society Barometer index at the end of 2019	
-				
35,700	-	-	-	9,217,203
	25,800	2,405,220	32,400	2,463,420
				(2,085,581)
(1,000)		(45,850)		(1,142,979)
34,700	**25,800**	**2,359,370**	**32,400**	**8,452,063**

6.5 Options granted and exercised and stock grants made to the top 10 employee grantees during the year

The data below are adjusted for the 2-for-1 share split, effective September 2, 2011.

Stock options or share purchase options granted to the 10 most highly paid employees (excluding Corporate Officers) and options exercised by them

	Number	Exercise price/ Average weighted price	Plan
Options exercised in 2017 of which the number of shares bought or subscribed is the highest	143,232	EUR33.67	28-30-31-33

Shares awarded to the 10 most highly paid employees (excluding Corporate Officers)

	Number	Plan
2017 Performance share grant (annual plan allocation of March 24, 2017)	191,000	29

7. Stock market data

In France, Schneider Electric is listed on Euronext Paris (sub-fund A), where it is traded on a per-share basis under ISIN code FR0000121972. Schneider Electric SE shares are included on the CAC 40 index established by Euronext.

18-month trading data in Paris

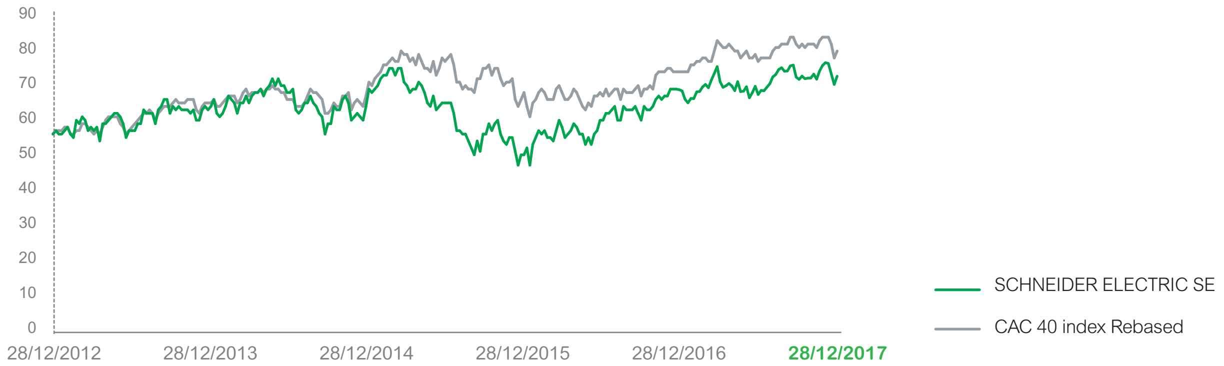
Year	Month	Number of securities traded *(in thousands of shares)*	Value *(in millions of euros)*	High[(1)]	Low[(1)]	Number of trading sessions
2016	August	25,784	1,550	62.23	56.95	23
	September	32,811	2,001	63.59	57.97	22
	October	27,558	1,705	63.49	58.95	21
	November	33,789	2,088	64.89	58.05	22
	December	27,305	1,766	66.63	61.53	21
2017	January	25,785	1,732	68.95	65.40	22
	February	27,734	1,842	69.53	63.36	20
	March	29,413	1,949	68.63	64.17	23
	April	29,809	2,105	74.45	67.54	18
	May	32,910	2,310	74.50	67.55	22
	June	32,705	2,238	70.82	65.89	22
	July	27,931	1,883	69.82	64.88	21
	August	26,707	1,807	70.26	65.00	23
	September	28,295	2,018	73.63	67.83	21
	October	24,964	1,839	75.70	72.41	22
	November	27,557	1,990	75.94	70.04	22
	December	22,258	1,587	72.66	69.75	19
	Total 2017	**336,068**	**23,300**	**75.94**	**63.36**	**255**
2018	January	26,797	1,991	76.34	69.54	22
	February	34,487	2,454	75.84	68.30	20

(1) The data corresponds to trading volumes on NYSE Euronext.

Five-year trading summary

	2017	2016	2015	2014	2013
Average daily trading volume on the Paris stock exchanges (NYSE Euronext):					
◆ Number of shares *(in thousands)*	1,317.91	1,689.00	2,107.54	1,672.33	1,439.54
◆ in million of euros	91.37	94.56	130.16	106.20	84.70
High and low share prices (in euros)					
◆ high	75.94	66.63	75.29	72.22	66.99
◆ low	63.36	45.32	48.57	52.59	52.49
Year-End closing price *(in euros)*	70.86	66.11	52.56	60.61	63.40
Yield *(%)*	3.10	3.09	3.81	3.17	2.95

THE SCHNEIDER ELECTRIC SE SHARE RESULTS VERSUS THE CAC 40 INDEX (REBASED) OVER FIVE YEARS



Monep

Schneider Electric SE shares have been traded on the MONEP market since December 20, 1996.

7.1 Ordinary bonds

The information is disclosed in note 9 of the company financial statements (pages 305 and 306).

8. Investor relations

8.1 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

8.2 Contacts

Any information or document may be requested from:
Amit Bhalla – Senior Vice-President, Investor Relations
For institutional investors and financial analysts: Tel: +33 (0)1 41 39 39 18
For individual investors:

- toll-free number in France: 0800 20 55 14 / +33 (0)1 41 39 32 44
- email: actionnaires@schneider-electric.com

8.3 Shareholders' Advisory Committee

The committee is the voice of Schneider Electric's individual shareholders. The committee consists of up to 8 independent volunteers appointed by Schneider Electric.

The Advisory Committee meets 3 to 4 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;
- the integrated report;
- a shareholder's guide;
- letters to shareholders;
- information on financial results, corporate governance and strategic updates through specific press releases, videos and presentations available in a dedicated section on the corporate website:

  www.schneider-electric.com/finance

Annual Shareholders' Meeting

8

1. Report of the board of directors to the Ordinary and Extraordinary Shareholders' Meeting

1.1 Ordinary meeting

Approval of corporate financial statements – First resolution

We request that you approve the transactions and financial statements for the year 2017, as presented, which show a net profit of EUR121,487,669.16.

Approval of consolidated financial statements – Second resolution

We request that you approve the transactions and consolidated financial statements for the year 2017, as presented, which show net income for the Group of EUR2.150 million and an adjusted net income from non-recurring items (asset impairment, restructuring costs, gains and losses linked to business disposals etc.) of EUR2.378 million.

Distribution: appropriation of profit, withholding on share premiums and setting of a dividend of EUR2.20 per share – Third resolution

We also recommend a distribution of **EUR2.20 per share with par value of EUR4**, which represents a distribution rate 55.2% of the Group's net adjusted income. It will be paid on **May 4, 2018** on the 596,916,242 shares with dividend rights on January 1, 2018 that made up the capital on December 31, 2017. No dividend will be paid on shares held in treasury by the Company on the payment date.

This distribution will be paid out of distributable earnings, consisting of:

(i) net profit for the year of EUR121,487,669.16; and

(ii) allocation of negative retained earnings of EUR5,950,968.52, which will be reset to zero;

amounting to EUR115,536,700.64.

The total distribution amount will be brought to EUR1,313,215,732.40 through a withholding of EUR185,506,162.10 on issue premiums relating to the contribution of Legrand shares, EUR930,233,532,00 on issue premiums relating to the contribution of Invensys shares and EUR81,939,337.66 on other issue premiums.

The distribution will be paid on May 4, 2018, according to the following schedule:

Dividend ex-date	Wednesday, May 02, 2018
Record date	Thursday, May 03, 2018
Dividend payment date	Friday, May 04, 2018

For individual shareholders resident for tax purposes in France, the distribution of EUR2.20 per share is subject to 2 separate tax statements:

(i) up to EUR0.19, the dividend constitutes distributed income. As such, a social security tax of 17.2% will be charged on the gross amount when paid. The gross amount of French-source dividends received by resident individuals will also be subject to a mandatory non-definitive withholding tax of 12.8%.

Nevertheless, individuals belonging to a tax household whose taxable income for the penultimate year is less than EUR50,000 with the status of single, divorced or widowed taxpayer, and EUR75,000 for couples who file a joint tax return, can request exemption from this withholding tax. To this end, under their responsibility, they should submit their application for exemption to the paying entity, in the form of a sworn statement indicating that their reference taxable income listed on their tax form established under income for the penultimate year preceding the payment of the income, shows income lower than the thresholds indicated above. This application must be filed no later than November 30 of the year preceding that of the payment.

In 2019, dividends will in principle be subject to a flat tax ("*Prélèvement forfaitaire unique*" – "PFU") at the rate of 12.8%. However, taxpayers may opt for dividends to be subject to income tax at ordinary progressive rates. In such case, after applying a 40% (uncapped) allowance, only 60% of the dividends will be included in the taxable income, less any deductible charges and expenses. The option for taxation at the ordinary progressive tax rates is irrevocable and applies to all investment income received by the taxpayer. It is made in the income tax return filed every year following the one when the dividends are received.

The above-mentioned levy at source of 12.8% will be offset against the income tax that will be due in 2019 for income earned in 2018. If it exceeds the income tax due, the surplus will be paid back;

(ii) in the amount of EUR2.01, the distribution constitutes a capital repayment. As such, it is not subject to income tax pursuant to article 112-1 of the French Tax Code, as all profits and reserves other than the legal reserve have been previously distributed.

Shareholders are invited to contact their usual advisors for further information about the applicable tax regime.

Dividends/coupons paid by Schneider Electric SE in respect of the 3 most recent financial years are as follows:

	2014	2015	2016
Net dividend paid per share *in euros*	1.92	2.00	2.04

Agreements regulated by articles L.225-38 and L.225-42-1 – Fourth to sixth resolutions

We request that you approve and take note of the regulated agreements and commitments presented in the Statutory Auditors' special report prepared in accordance with article L.225-40 of the French Commercial Code. These agreements mainly concern the reiteration and amendment of the status of Messrs. Jean-Pascal Tricoire and Emmanuel Babeau decided in furtherance of the renewal of their terms.

We remind you that the terms of office of the Chairman and Chief Executive Officer and Deputy Chief Executive Officer Messrs. Jean-Pascal Tricoire and Emmanuel Babeau were renewed on April 25, 2017 by the board of directors in its meeting held at the end of the Annual Shareholders' Meeting.

Under the **fourth and fifth resolutions**, in accordance with article L.225-42-1 of the French Commercial Code pursuant to which the approval of agreements relating to the components of the corporate officers' status is requested at each renewal of term of office, we request that you approve the reiteration and the amendment of the status of Messrs. Jean-Pascal Tricoire and Emmanuel Babeau as presented in the Statutory Auditors' special report prepared in accordance with article L.225-40 of the French Commercial Code.

Mr. Jean-Pascal Tricoire's status, renewed and amended by the board of directors of April 25, June 18 & 19 and October 24, 2013 to include the new recommendations of the AFEP/MEDEF Code, were approved by the Annual Shareholders' Meeting of May 6, 2014. The amendment of his status resulting from the board of directors' decision of February 18, 2015 to remove the benefit of the supplementary defined-benefit pension scheme (article 39) granted to the Corporate Officers until then, was approved by the Annual Shareholders' Meeting of April 21, 2015.

Mr. Emmanuel Babeau's status as approved by the Annual Shareholders' Meeting of May 6, 2014 following its adoption by the board of directors on June 18 & 19 and October 24, 2013, was amended by the board of directors on February 18, 2015 to reiterate, in his capacity as Corporate Officer, the components of the status which he benefitted from under his employment contract with SEISAS before he resigned to comply with the decision of the board to cancel the Corporate Officers' right to a defined-benefit pension scheme under article 39. His new status was approved by the Annual Shareholders' Meeting of April 21, 2015.

Since then, the status of Messrs. Jean-Pascal Tricoire and Emmanuel Babeau have been strictly aligned and amended twice by the board of directors:

- the board of directors of April 25, 2017 in its meeting held at the end of the Annual Shareholders' Meeting which approved the renewal of Mr. Tricoire's term as a director, decided to renew and amend the status of the Corporate Officers to make it fully compliant with the recommendations of the AFEP/MEDEF Code and thus to put an end to the last deviation therewith that the Group had explained (*cf.* registration document 2016 page 198): the board thus decided that the decision to enforce or to waive the non-compete agreement at the time of the Corporate Officer's departure was, in all cases, to be decided solely by the board;
- on February 14, 2018, the board decided to amend the Corporate Officers' right to retain, in the case of involuntary severance, the benefit of stock-options and performance shares or free shares issued from future plans that would remain unvested or unexercised: in principle, the Corporate Officer will be entitled to keep the benefit of such options and shares in proportion to his presence with the Group during the acquisition period of the option or share, it being however specified that in compliance with the AFEP/MEDEF Corporate Governance Code, the board will keep the flexibility to grant to the departing Corporate Officer, in the case where the forced departure is subsequent to a material change in Schneider Electric's shareholder structure or to a reorientation of the strategy pursued and promoted by him until this time, and in all cases subject to specific performance conditions, the entirety of the options or shares previously granted. In such case, the board will have to motivate its decision.

Therefore, under the terms of their respective status detailed in pages 206 and seq. of the Registration Document and subject to your approval of the **fourth and fifth resolutions**, Messrs. Tricoire and Babeau individually:

- will be covered under the Schneider Electric SE and Schneider Electric Industries SAS employee benefit plan with health, incapacity, disability and death coverage, and, subject to performance conditions, will also be covered under the supplementary health, disability and death coverage available to the Group's French executives as well as the Group individual accident insurance policies;
- will be bound by a non-compete agreement, should they leave the company; this agreement lasts for 1 year and compensation is set at 60% of effective annual target compensation over the previous 12 months (fixed and variable portions, complementary payments for building-up a pension included), it being specified that the board will be entitled to unilaterally waive this non-compete agreement;
- will be entitled, subject to performance conditions, to involuntary severance pay, capped at twice the arithmetic average of the effective annual compensation over the past 3 years, taking into account compensation provided for the non-compete agreement, if any, and provided that they resign, in particular, following a material change in Schneider Electric shareholders' structure or a reorientation of the strategy pursued and promoted by them until that time;
- will be entitled to retain, in case of involuntary departure and subject to performance conditions, all the stock-options and the performance or free shares allocated to them before February 14, 2018 and unvested or unexercised at the time of departure of the Corporate Officer;
- will be entitled to retain, in case of involuntary departure, the stock-options and the performance or free shares allocated to them after February 14, 2018 and unvested or unexercised at the time of departure of the Corporate Officer, in proportion to their presence within the Group during the acquisition period of the option or share, unless the board decides, in a motivated resolution, to grant to the departing corporate officer, in the case where the forced departure is subsequent to a material change in Schneider Electric's shareholder structure or to a reorientation of the strategy pursued and promoted by them, and in all cases subject to specific performance conditions, the entirety of the options or shares previously granted;
- will be 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 incapacity.

Under the **sixth resolution** regarding the implementation during the financial year of agreements and commitments already approved by the Annual Shareholders' Meeting, we request that you take note of the Statutory Auditors' special report on regulated agreements and commitments prepared in accordance with article L.225-40 of the French Commercial Code. These agreements and commitments concern the compensation of Mr. Léo Apotheker for his duties as Vice-Chairman independent lead director. This agreement expired on April 25, 2017.

Approval on components of the compensation and benefits of all types paid, due or awarded in respect of the 2017 financial year to Messrs. Jean-Pascal Tricoire et Emmanuel Babeau – Seventh and eighth resolutions

In pursuance of articles L.225-37-2 and 225-100 of the French Commercial Code, you are requested to approve fixed, variable and exceptional components of the total compensation and benefits of all types due or granted in respect of the past financial year to the corporate officers of your company as summarized in the following tables.

These components are presented, detailed and quantified in section 3.7 of the registration document. This section, dedicated to the compensation of the group senior managers, is part of the corporate governance report prescribed by article L.225-37 of the French Commercial Code.

For easy reference, you will find in this section a reminder of the principles and criteria governing the allocation of the corporate officers' compensation that you approved at the Shareholders' Meeting of April 25, 2017 and pursuant to which the compensation and benefits of all types due for 2017 to the Chairman and CEO, Mr. Tricoire, and to the Deputy CEO, Mr. Babeau, were calculated and set by the board of directors at its meeting of February 14, 2018.

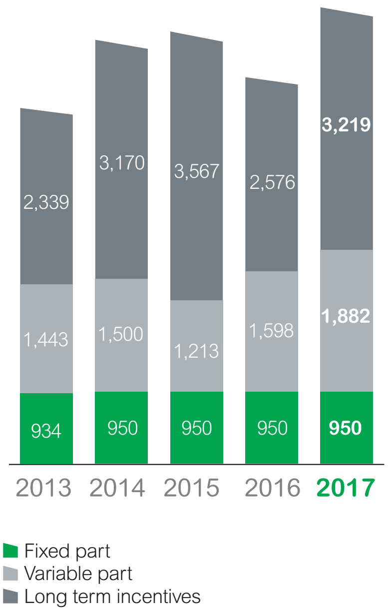
The achievement rates of the performance conditions as well as the analysis conducted by the board of directors of the alignment between the evolution of the officers' compensation and the value creation for the shareholders, are presented and commented.

A reminder is also given that cash variable components (annual incentive and complementary variable portion for building pensions) will be only paid subject to approval of the compensation of the Corporate Officer in question by a majority of the shareholders.

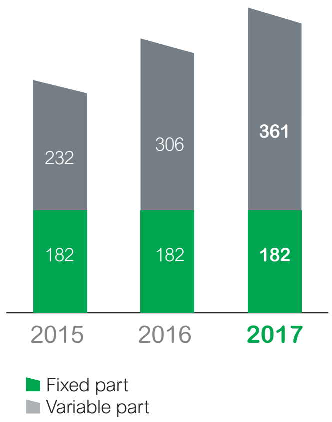
By the **Seventh Resolution** you are requested to approve the elements of Mr. Jean-Pascal Tricoire's 2017 compensation and by the **Eighth Resolution**, that of Mr. Emmanuel Babeau.

The evolution of the annual compensation and additional payments for retirement for Jean-Pascal Tricoire and Emmanuel Babeau are summarized in the graphs below.

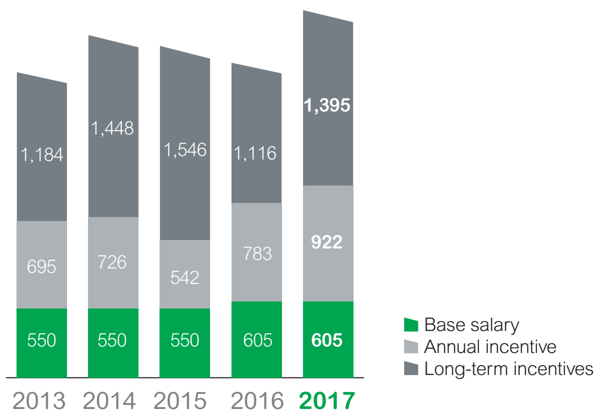
ANNUAL FIXED AND VARIABLE COMPENSATION PLUS LONG-TERM INCENTIVES FOR MR. TRICOIRE (IN THOUSANDS OF EUROS) FOR THE YEARS 2013 TO 2017



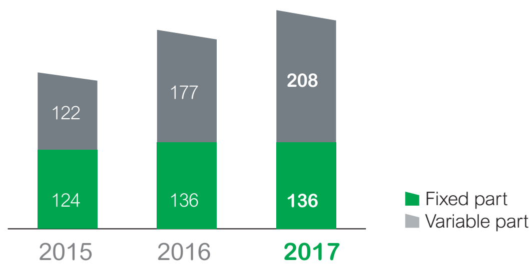
COMPLEMENTARY RETIREMENT PAYMENTS (FIXED AND VARIABLE PARTS) FOR MR. TRICOIRE (IN THOUSANDS OF EUROS) FOR THE YEARS 2015 TO 2017



ANNUAL FIXED AND VARIABLE COMPENSATION PLUS LONG-TERM INCENTIVES FOR MR. BABEAU (IN THOUSANDS OF EUROS) FOR THE YEARS 2013 TO 2017



COMPLEMENTARY RETIREMENT PAYMENTS (FIXED AND VARIABLE PARTS) FOR MR. BABEAU (IN THOUSANDS OF EUROS) FOR THE YEARS 2015 TO 2017



Mr. Jean Pascal Tricoire, Chairman and CEO

I – Elements of compensation paid, due or awarded for the past FY

	Amounts submitted to the vote	**Description**
1) Base salary	EUR950,000	Gross annual fixed compensation of EUR950,000 from January 1, 2017 to December 31, 2017 approved by the Shareholders' Meeting of April 25, 2017. This compensation has remained unchanged since 2013.
2) Annual incentive	EUR1,882,140	The annual incentive portion amounts to 130% of fixed compensation. The annual incentive may vary from 0 to 260% depending on achievement of objectives. It is unchanged since 2015. At the Board meeting held on February 14, 2018, annual incentives for 2017 due to be paid after the Annual Shareholders' Meeting if the latter approves them, were set at 152.40% of the fixed portion, which represents an achievement rate of 198.12% on a base 100. This calculation breaks down as follows: 1) **Economic criteria component (75%) based on:** ◆ Group financial indicators (60%), which are organic sales growth (30%), Adjusted EBITA margin improvement (20%) and cash generation targets (10%), ◆ Company program economic priorities (15%), which are the growth of services sales (5%) and systems gross margin (projects and equipment, process automation excluded) (5%) as well as a criterion measuring the digital performance as per parameters non disclosed due to business secrecy; The achievement rate in connection with these criteria was 160.5% (base 100). 2) **Company program non-economic component (5%)** based on Planet & Society Barometer (5%), for which the achievement rate was 200% (base 100). 3) **Individual objectives (20%)**, which are specific objectives and, wherever possible, quantified, for which the board set the achievement rate at 110% (base 100).
3) Complementary retirement payments		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 of the defined-benefit pension scheme (article 39) for corporate executive officers, Mr. Tricoire is personally responsible for building up his additional pension. To determine this authorized complementary compensation, the board of directors sought the recommendation of an independent expert, namely the firm Willis Towers Watson. The board of directors ensured that the mechanism implemented therefore, was in line with shareholders' interests.
Annual complementary fixed portion	EUR182,000	Accordingly, Mr. Tricoire receives a complementary component annually, split into a fixed part and a variable part dependent on performance criteria. This variable part is aligned in terms of criteria and rate (target rate of 130% of the fixed complementary part and variable part varying from 0 to 260%) of the annual incentive (see above).
Annual complementary variable portion	EUR360,578	At the meeting held on February 14, 2018, the annual complementary variable portion for 2017 due to be paid after the Annual Shareholders' Meeting if the latter approves it, was set by the board of directors at 198.12% of the annual complementary fixed portion, *i.e.* an achievement rate of 152.40% on a base 100. The calculation was broken down in the same way as that of the annual incentive presented in 2) above. These complementary payments are intended to enable Mr. Tricoire to build up his pension. He undertook to redirect these complementary payments, net of taxes, to investment vehicles devoted to financing his additional pension.

	Amounts submitted to the vote	**Description**
4) Long-term incentive (Performance shares)	EUR963,000 for 18,000 performance shares according to IFRS valuation	18,000 performance shares were granted under plan no. 28 to Mr. Tricoire in his capacity as Chairman and CEO of Schneider Electric SE.
	EUR2,256,240 for 42,000 performance shares according to IFRS valuation	42,000 performance shares were granted under plan no. 29 to Mr. Tricoire in his capacity as Schneider Electric Asia Pacific CEO. 100% of these 60,000 performance shares are subject to performance criteria measured over a period of 3 years: ◆ 40% of the shares are contingent on the level of achievement of an adjusted EBITA operating margin objective for 2017 to 2019 FY as follows: the adjusted operational margin criterion is defined as the average of the annual rates of achievement of Adjusted EBITA margin for financial years 2017 to 2019 set by the board of directors of Schneider Electric SE, and is in line with the objectives announced to investors at the beginning of the year. For 2017, the board had decided that, if the Adjusted EBITA margin (organic) decreased by at least -10 basis points before foreign exchange impact compared with 2016, the achievement rate for the year would be 0% and if it increased by at least +30 basis points before foreign exchange impact, then the achievement rate for this criteria for 2017 would be 100%, with a linear distribution between the 2 points; ◆ 25% of the shares are conditional on the Group cash conversion rate for the FY 2017 to 2019. The target average rate ranges between 80% and 100% according to following scale: 0% if the average rate is below or equal to 80%, 100% if the average rate is equal to or higher than 100% with a linear distribution between the 2 points (an average rate higher than 100% can also offset up to 50% of shares granted under the cash criterion for non-achievement of the target Adj. EBITA or the target TSR, provided the number of shares originally granted under each criterion shall not be exceeded); ◆ 20% of the shares are contingent on the average annual progress of the Planet & Society Barometer index at the end of 2019 as follows: for 2017, if this index is lower than or equal to 8.5, no shares will vest. If this index is equal to or higher than 9, 100% of the shares will vest. Distribution is linear between the 2 points; ◆ 15% of the shares are conditional to Total Shareholder Return (TSR) objectives from 2017 to the end of vesting period. The TSR objective is set based on Schneider Electric's TSR ranking within the following panel of companies: ABB, Legrand, Siemens, Schneider Electric, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa, according to following scale: 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, within the limit of 50% of the TSR criterion, non-achievement of the Adjusted EBITA target or rate of cash conversion target over the 3-year period. Final acquisition of shares at the end of the 3-year period will nevertheless be capped at 100% of number of shares originally subject to Adjusted EBITA margin and rate of cash conversion criteria); in second quartile (4th, 5th, 6th place), an average achievement of 87% of the criterion; in the third quartil (7th, 8th, 9th place), an average achievement rate of 13% of the criterion: in last quartile (10th, 11th, 12th place), a zero achievement rate). However, in the event that the gap between the Schneider Electric TSR and that of the peers above is less than 3% in TSR value, Schneider Electric will be deemed to have the same ranking as the latter; 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 3 times his base salary. The percentage of capital represented by Mr. Tricoire's share allocation is 0.01%. Date of authorization by the Annual Shareholders' Meeting: April 25, 2016 Resolution number: 19th. Date of the award decision by the board of directors: March 24, 2017.
5) Attendance fees	EUR0	Mr. Tricoire has waived his attendance fees.
6) Other benefits	EUR 2,204	This concerns: ◆ the employer matching contribution paid to subscribers to the capital increase reserved for employees, in an amount of EUR1,404. Date of approval by the board: February 15, 2017. ◆ the employer matching contribution paid to subscribers to the collective saving pension fund (Perco) in France, in an amount of EUR800. Date of approval by the board: February 15, 2017.
	EUR9,575	Mr. Tricoire benefited from profit-sharing Date of approval by the board: February 15, 2017.
	EUR13,089	Mr. Tricoire benefited from a company car Date of approval by the board: February 15, 2017.

	Amounts submitted to the vote	Description

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 benefit	EUR0	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 compensation (*i.e.* inclusive of compensation and complementary payments) paid over the last 3 years. (See Section 3-7 of the 2017 registration document). Board decision of June 18-19, 2013, reiterated on April 25, 2017 and February 14, 2018. Date of proposal to the Annual Shareholders' Meeting: April 24, 2018 (4th resolution).
Non-compete compensation	EUR0	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 2017 registration document). Board decisions of 2009, 2012, and 2013, reiterated and amended on April 25, 2015 and February 14, 2018. Date of proposal to the Annual Shareholders' Meeting: April 24, 2018 (4th resolution).
Supplementary pension scheme	N/A	
Supplementary Life & Disability scheme	EUR0	Mr. Tricoire benefits from rights to (i) a life-time annuity to the benefit of his surviving spouse in the event of his death 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 3 years preceding the date of his death, less any theoretical income that may have been obtained under insurance conditions as a result of complementary payments already made (see above) (ii) a disability pension, payable to the surviving spouse at a rate of 60%, in cases of disability 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 3 years prior to his disability, 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 disability resulting from any complementary payments already made. (See Section 3-7 of the 2017 registration document). Board decision of February 18, 2015, reiterated on April 25, 2017 and February 14, 2018. Date of proposal to the Annual Shareholders' Meeting: April 24, 2018 (4th resolution). Moreover, in addition to the benefits of the collective welfare scheme applicable to Schneider Electric SE and Schneider Electric Industries SAS employees covering risks of illness, incapacity, disability and death, Mr. Tricoire also benefits from the complementary cover granted to French executives in the Group against risks of illness, incapacity, disability, death and accident. Welfare compensation and complementary cover are subject to performance conditions. Board decisions of 2009, 2012, 2013 and 2015, reiterated on April 25, 2017 and February 14, 2018. Date of proposal to the Annual Shareholders' Meeting: April 24, 2018 (4th resolution).

Mr. Emmanuel Babeau, Deputy CEO

I – Elements of compensation paid, due or awarded for the past FY

	Amounts submitted to the vote	Description
1) Base salary	EUR605,000	Gross annual fixed compensation of EUR605,000 from January 1, 2017 to December 31, 2017 approved by the Shareholders' Meeting of April 25,2017. This compensation has remained unchanged since 2016.
2) Annual incentive	EUR922,020	The annual incentive portion amounts to 100% of fixed compensation. The annual incentive may vary from 0 to 200% depending on achievement of objectives. At the board meeting held on February 14, 2018, annual incentives for 2017 due to be paid after the Annual Shareholders' Meeting if the latter approves them, were set at 152.40% of the fixed portion, which represents an achievement rate of 152.40% on a base 100. This calculation breaks down as follows: 1) **Economic criteria component (75%) based on:** ◆ Group financial indicators (60%), which are organic sales growth (30%), adjusted EBITA margin improvement (20%) and cash generation targets (10%), ◆ Company program economic priorities (15%), which are the growth of services sales (5%) and systems gross margin (projects and equipment, process automation excluded) (5%) as well as a criterion measuring the digital performance as per parameters non disclosed due to business secrecy; The achievement rate in connection with these criteria was 160.5% (base 100). 2) **Company program non-economic component (5%)** based on Planet & Society Barometer (5%), for which the achievement rate was 200% (base 100). 3) **Individual objectives (20%)**, which are specific objectives and, wherever possible, quantified, for which the board set the achievement rate at 110% (base 100).
3) Complementary retirement payments		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 of the defined-benefit pension scheme (article 39) for corporate executive officers, Mr. Babeau is personally responsible for building up his additional pension. To determine the amount of this authorized complementary compensation, the board of directors relied on the work of an independent expert, namely the firm Willis Towers Watson.
Annual complementary fixed portion	EUR136,400	The board of directors ensured that the mechanism implemented was in line with shareholders' interests. Accordingly, Mr. Babeau receives annually a complementary component, split into a fixed part and a variable part dependent on performance criteria. This variable part is aligned in terms of criteria and of rate (target rate of 100% of the fixed complementary part and variable part varying from 0 to 200%) of the annual variable part (see above).
Annual complementary variable portion	EUR207,873	At the meeting held on February 14, 2018, the annual complementary variable portion for 2017 due to be paid after the Annual Shareholders' Meeting if the latter approves it, was set by the board of directors at 152.40% of the annual complementary fixed portion, *i.e.* an achievement rate of 152.40% on a base 100. This calculation was broken down in the same way as that of the annual incentive presented in 2) above. These complementary payments are intended to enable Mr. Babeau to build up his pension. He undertook to redirect these complementary payments, net of taxes, to investment vehicles devoted to financing his additional pension.

	Amounts submitted to the vote	Description
4) Long-term incentive (Performance shares)	EUR417,300 for 7,800 performance shares according to IFRS valuation	7,800 performance shares were granted under plan no. 28 to Mr. Babeau in his capacity as Deputy CEO of Schneider Electric SE.
	EUR977,700 for 18,200 performance shares according to IFRS valuation	18,200 performance shares were granted under plan no. 29 to Mr. Babeau in his capacity as CEO of Invensys Ltd. 100% of these 26,000 performance shares are subject to performance criteria measured over a period of 3 years: ◆ 40% of the shares are contingent on the level of achievement of an adjusted EBITA operating margin objective for the FY 2017 to 2019 as follows: the adjusted operational margin criterion is defined as the average of the annual rates of achievement of Adjusted EBITA margin for financial years 2017 to 2019, set by the board of directors of Schneider Electric SE in line with the objectives usually announced to investors at the beginning of the year. For 2017, the board had decided that, if the Adjusted EBITA margin decreased by at least 10 basis points before foreign exchange impact compared with 2016, the achievement rate for the year would be 0% and if it increased by at least +30 basis points before foreign exchange impact, then the achievement rate for this criteria for 2017 would be 100%, with a linear distribution between the 2 points; ◆ 25% of the shares are conditional on Group cash conversion rate for 2017 to 2019 FY. The target average rate ranges between 80% and 100% according to following scale: 0% if the average rate is below or equal to 80%, 100% if the average rate is equal to or higher than 100%, with a linear distribution between the 2 points (an average rate higher than 100% can also offset up to 50% of shares granted under the cash criterion for non-achievement of the target Adj. EBITA or the target TSR, provided the number of shares originally granted under each criterion shall not be exceeded); ◆ 20% of the shares are contingent on the average annual progress of the Planet & Society Barometer index at the end of 2019 as follows: for 2017, if this index is lower than or equal to 8.5, no shares will vest. If this index is equal to or higher than 9, 100% of the shares will vest. Distribution is linear between the 2 points. ◆ 15% of the shares are conditional to Total Shareholder Return (TSR) objectives between 2017 and the end of the vesting period. The TSR objective is set based on Schneider Electric's TSR ranking within the following panel of companies: ABB, Legrand, Siemens, Schneider Electric, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa, according to following scale: 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, within the limit of 50% of the TSR criterion, non-achievement of the Adjusted EBITA target or rate of cash conversion target over the 3-year period. Final acquisition of shares at the end of the 3-year period will nevertheless be capped at 100% of number of shares originally subject to adjusted EBITA margin and rate of cash conversion criteria); in second quartile (4th, 5th, 6th place), an average achievement of 87% of the criterion; in the third quartile (7th, 8th, 9th place), an average achievement rate of 13% of the criterion: in last quartile (10th, 11th, 12th place), a zero achievement rate). However, in the event that the gap between the Schneider Electric TSR and that of the peers above is less than 3% in TSR value, Schneider Electric will be deemed to have the same ranking as the latter. 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 base salary. The percentage of capital represented by Mr. Babeau's share allocation is 0.004%. Date of authorization by the Annual Shareholders' Meeting: April 25, 2016. Resolution number: 19th. Date of the award decision by the board of directors: March 24, 2017.
5) Attendance fees	N/A	
6) Other benefits	EUR9,575	Mr. Babeau benefited from profit-sharing. Board authorization: February 15, 2017
	EUR1,404	Mr. Babeau benefited from the employer matching contribution paid to subscribers to the Group collective saving plan (PEG) in France. Date of approval by the board: February 15, 2017.
	EUR12,330	Mr. Babeau benefited from a company car. Board authorization: February 15, 2017

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 benefit	EUR0	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 annual incentives (*i.e.* inclusive of compensation and complementary payments) paid over the last 3 years and authorized by the board of directors. (See Section 3-7 of the 2017 registration document). Board decisions of June 18-19, 2013 and February 18, 2015, reiterated on April 25, 2017 and February 14, 2018. Date of proposal to the Annual Shareholders' Meeting: April 24, 2018 (5th resolution).
Non-compete compensation	EUR0	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 2017 registration document). Board decisions of June 18-19, 2013 amended in October 24, 2013 and February 18, 2015, reiterated and amended on April 25, 2017 and February 14, 2018. Date of proposal to the Annual Shareholders' Meeting: April 24, 2018 (5th resolution).
Supplementary pension scheme	N/A	
Supplementary Life & Disability scheme	EUR0	Mr. Babeau benefits from rights to (i) a life-time annuity to the benefit of his surviving spouse in the event of his death before retirement or if he has left 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 3 years preceding the date of his death, less any theoretical income that may have been obtained under insurance conditions as a result of complementary payments already made (see above) (ii) a disability pension, payable to the surviving spouse, at a rate of 60%, in cases of disability 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 3 years prior to his disability, 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 disability resulting from any complementary payments already made. (See Section 3-7 of the 2017 registration document). Board decision of February 18, 2015, reiterated on April 25, 2017 and February 14, 2018. Date of proposal to the Annual Shareholders' Meeting: April 24, 2018 (5th resolution). Moreover, in addition to the benefits of the collective welfare scheme applicable to Schneider Electric SE and Schneider Electric Industries SAS employees covering risks of illness, incapacity, disability and death, Mr. Babeau also benefits from the complementary cover granted to French executives in the Group against risks of illness, incapacity, disability, death and accident. Welfare compensation and complementary cover are subject to performance conditions. Board decisions of 2009, 2012, 2013 and 2015, reiterated on April 25, 2017 and February 14, 2018. Date of proposal to the Annual Shareholders' Meeting: April 24, 2018 (5th resolution).

Approval of principles and criteria for determining, allocating or granting the components of the compensation and benefits of all types that may be granted to the Chairman and CEO and to the Deputy-CEO for the year 2018 – Ninth and tenth resolutions

In pursuance of the new article L.225-37-2 of the French Commercial Code introduced by the "Sapin 2 law" on December 9, 2016, you are requested for the second year, to approve the principles and criteria governing the determination, allocation and granting of the remuneration and benefits of all types that may be granted to the corporate officers of the company on account of their mandates, *i.e.* the Chairman and CEO – currently Mr. Jean-Pascal Tricoire – and Deputy-CEO – currently Mr. Emmanuel Babeau – for the year 2018.

The scope of the approval covers all components of remuneration in cash, fixed and variable, benefits of all types, including the long-term incentive in the form of performance shares, fringe benefits, the pension cash allowance and other components subject to approval of the shareholders through a separate resolution as part of regulated agreements.

In this respect, the remuneration submitted to your approval covers all the payments and benefits granted to corporate officers on account of their mandates in the company as well as of the other functions they may perform within the Group.

These components are presented, detailed and quantified in section 3.7 of the registration document. This section, dedicated to the compensation of the group senior managers, is part of the corporate governance report prescribed by article L.225-37 of the French Commercial Code.

Since the principles and criteria for determining, allocating and granting the components of the compensation and benefits of all types that may be awarded to the Chairman and CEO and to the Deputy-CEO for 2017 were approved with a large majority (more than 90%) by the shareholders at the Annual General Meeting, the board of directors decided on February 14, 2018, based on the works of the Governance and remunerations committee, which as a reminder, is composed of 75% independent members as per the AFEP/MEDEF Code, and after hearing its recommendations:

- to continue in 2018 to apply the fundamental pillars which command the principles for determination of the compensation of the corporate officers. These pillars are: pay-for-performance, alignment with shareholders' interests, and competitiveness. The structure of the corporate officers' compensation results from these pillars, notably the oversight of variable components (75 to 80% of the total target compensation) and the proportion of approximately 50% of the target compensation granted in the form of performance shares;
- to increase the base salaries of Messrs. Tricoire and Babeau by 5% and 12% respectively, in order to reward the Corporate Officers for the high quality of their actions and initiatives, which enabled the Group to expand its offer and international exposure and increase its competitiveness (in accordance with the principle 'pay-for-performance'), keeping in mind that the proposed increase will also contribute to maintaining the compensation of the Corporate Officers at competitive levels (in accordance with the competitiveness principle), and is calibrated to remain within internal and external acceptance levels. As regards Mr. Babeau, the increase of 12% also reflects his new responsibilities in Aveva;
- to increase to 30% the weighting of the criteria (all measurable) related to the Company Program in setting the annual variable compensation, by reducing the weighting of the individual criteria to 10%, in order to further strengthening transparency of the compensation and relationship between compensation and performance. The increase of the criteria that reflect the transformation of the Group also contributes to better alignment of Corporate Officers' compensation to the Group strategy;
- to enable the review of objectives during the year if there is a too significant distortion with the reviewed objectives communicated to the market;
- to maintain the conditions, modalities and volume of the performance share grants with no change;
- to maintain the rule whereas no compensation which is not provided by the compensation policy approved by the shareholders shall be paid to Corporate Officers.

The board also intends to further increase its disclosure and transparency with respect to such compensation, within limits safeguarding the interests of the company with respect to business secrets and confidentiality of certain aspects of its strategy. The main targets initially set will now be disclosed at the expiry of the performance period, with respect to both the annual incentive and the long-term incentive in the form of performance shares.

The board reflected upon the principle of keeping the compensation proposed for the roles of CEO and Deputy CEO in the event of a change and their replacement by a candidate from outside the Group. Whilst acknowledging that the proposed compensation structure is market competitive and in line with the principles set forth by the board, the board may have to review the criteria for evaluation of the new corporate officer's performance, depending upon his/her profile, or to consider an exceptional allowance in cash or in shares in order to compensate for loss of benefits that a candidate may experience.

In accordance with applicable law, the payment of any variable or exceptional cash component in relation to the year 2018 will be subject to your approval at the Annual Shareholders' Meeting following year-end 2018.

Under the **Ninth Resolution** you are requested to approve these principles and criteria for 2018 with respect to the Chairman and CEO, and under the **Tenth Resolution** those with respect to the Deputy CEO.

Composition of the board of directors – Eleventh to fourteenth resolutions

We remind you that the terms of office of Mr. Xavier Fontanet, Mr. Willy Kissling, Ms. Linda Knoll and Ms. Cathy Kopp are due to expire after the 2018 Annual Shareholders' Meeting.

At its meeting of February 14, 2018, the board of directors took note of the decision of Mr. Xavier Fontanet and Ms. Cathy Kopp not to present themselves as candidates for the renewal of their terms.

The board of directors was keen to highlight the recognition that the company owes these individuals who have supported the Group through different steps of its strong development, and the high quality of their contributions.

The board of directors unanimously decided, upon recommendation from the Governance and remunerations committee, to recommend:

- the renewal of the terms of office of Mr. Willy Kissling and Ms. Linda Knoll;
- the appointments of Ms. Fleur Pellerin and Mr. Anders Runevad.

These recommendations are in line with the efforts towards regeneration of the board which aim at rejuvenating its composition and strengthening knowledge of the Group's key markets.

Ms. Fleur Pellerin, 44 years old, a French citizen, was a magistrate at the Court of Auditors for 13 years before her appointment as a Minister by the government from 2012 to 2016. After she resigned from public service, she launched in September 2016 the investment fund Korelya Capital with EUR200 million in funding, supporting investments of technology start-ups in France and in Europe. She will bring to the board her economic and financial skills in the field of technologies, her business experience and her knowledge of the French and Asian business circles.

Ms. Fleur Pellerin will be an independent director.

Mr. Anders Runevad, 57 years old, a Swedish citizen, has been Chief Executive Officer of Vestas Wind Systems A/S since 2013. He previously held various positions within Ericsson Group, in Europe, USA, Brazil and Singapore. He will bring to the board his experience in companies' growth and turnaround strategies, in-depth knowledge of the new energy landscape, and Schneider Electric's business and its business environment in Europe, in the US, as well as in new economies.

Mr. Anders Runevad will be an independent director.

Mr. Willy Kissling's and Ms. Linda Knoll's biographies and their terms of office are provided on pages 159 and 160. Ms. Linda Knoll is an independent director under the AFEP/MEDEF Corporate Governance Code contrary to M. Willy Kissling, who has been serving as a member of the board of director for more than 12 years.

If you approve the proposals made in the **eleventh to fourteenth resolutions**, the board of directors will comprise 13 members, 42% women, 61.5% foreign directors and 82% independent directors (in accordance with AFEP/MEDEF Corporate Governance Code).

The board of directors considers that in addition to Mr. Jean-Pascal Tricoire, Ms. Xiaoyun Ma, representing employee shareholders, and Mr. Patrick Montier, representing employees, Mr. Willy Kissling does not have the status of independent director. Under the AFEP/MEDEF Corporate Governance Code, he has lost that status due to his long years of service on the board. The other directors are independent.

Share buybacks – Fifteenth resolution

We request that you renew the authorization given to the company by the Annual Shareholders' Meeting of April 25, 2017, to buy back its shares by any appropriate method, pursuant to the provisions of article L.225-209 of the French Commercial Code and European Regulation (EU) no. 596/2014 of April 16, 2014 on market abuse (regulation concerning market abuse) which came into force on July 3, 2016.

The company buyback programs may have various objectives: to reduce share capital, cover stock option purchase plans or other share allocations to employees or corporate officers, fulfill obligations related to convertible bonds, and engage in market making as part of a liquidity contract, as well as engage in external acquisitions, as may be permitted under the regulations in force.

Shares bought back may be cancelled under the authorization adopted by the Annual Shareholders' Meeting of April 25, 2017 (Twenty-seventh resolution).

We remind you that Schneider Electric, in accordance with the announcement made in 2017, targeted a cumulative buyback amount of EUR1 billion for the June 2017 - June 2019 period. These buybacks were part of a policy to neutralize the dilution resulting from capital increases reserved for 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 25, 2017, and through implementation of the announced projects, Schneider Electric proceeded from April 26, 2017 to February 14, 2018 with a buyback of 2.4 million shares, for a total sum of EUR171.2 million.

Further information on the company's share buyback programs can be found on page 324.

In the **fifteenth resolution**, you are requested to authorize the company to buy back shares representing a maximum of 10% of the issued capital as of the date of the Shareholders' Meeting (for reference purposes, based on the issued capital on December 31, 2017: 59,691,624 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

Capital increases reserved for employees with cancellation of preferential subscription rights of shareholders – Sixteenth and seventeenth 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, 2017, employees were holding 4.1% of the capital.

We remind you that the twenty-fifth and the twenty-sixth resolutions of the Annual Shareholders' Meeting of April 25, 2017, 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 14, 2017, the board of directors decided to renew the annual employee shareholder plan in 2018, within a limit of 3.7 million shares (approximately 0.62% of the capital). This plan, which will not include a leveraged offer, will be offered in 41 countries representing more than 80% of the Group's employees. The shares will be offered with a discount on the share price of 15% (*i.e.* within the prescribed limit of 20%) to all subscribers and a maximum employer contribution of EUR1,400.

The company carried out capital increases reserved for Group employees in 2017 (WESOP 2017). These transactions are presented on page 327 of this registration document.

To allow for the implementation of a new global employee share ownership plan in 2019, you are requested to renew these authorizations under the same conditions.

Such is the purpose of the sixteenth and seventeenth resolutions.

Under the **sixteenth resolution,** you are requested to grant the board of directors the authority to carry out capital increases reserved for employees participating in the Employee Stock Purchase Plan within the limit of 2% of the company's capital, with the provision that the maximum discount at which the shares could be offered is set at 20%.

This authority requires shareholders to waive their preferential subscription right in favor of members of the Employee Stock Purchase Plan. This authorization is valid for a period of 26 months; the authorization in force as voted by the Annual Shareholders' Meeting of April 25, 2017 in its twenty-fifth resolution shall cease to be effective as from June 30, 2018.

The maximum nominal amount of capital increases carried out on the basis of the sixteenth resolution will be deducted from the ceilings outlined in the nineteenth and twenty-first resolutions approved by the Annual Shareholders' Meeting of April 25, 2017.

Under the **seventeenth resolution**, we request that you to renew the authorization to carry out capital increases reserved for employees of non-French Group companies or for 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 sixteenth resolution of this Annual Shareholders' Meeting. A maximum discount of 20% may be applied in relation to the benchmark stock price. The application of such a discount 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. Issues performed will be deducted from the ceiling of 2% provided for by the sixteenth resolution.

This authorization is valid for a period of 18 months and may only be used on or after August 1, 2018. As from August 1, 2018, it shall supersede the existing authorization granted in the twenty-sixth resolution adopted by the Annual Shareholders' Meeting of April 25, 2017 for the amounts remaining unused at July 31, 2018.

Finally, under the **eighteenth resolution** we request that you grant us the powers necessary to carry out the formalities.

2. Report of the Vice-Chairman independent lead director of the board of directors

Mr. Leo Apotheker hereby reports on the work he carried out in 2017 as part of his administrative functions as Vice-Chairman independent lead director.

At the Annual Shareholders' Meeting of April 25, 2016 where Mr. Leo Apotheker was re-elected as director, the board of directors appointed him as Vice-Chairman independent lead director for the term of his office.

1. Powers of the Vice-Chairman independent lead director

The Vice-Chairman independent lead director is appointed by the board of directors in pursuance of article 12 of the by-laws, which provide for the appointment of a Vice-Chairman with the function of a Senior Independent 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 357 to 364 of the Registration Document. 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 is apprised of current events and the performance of the Group through weekly exchanges with the Chairman and CEO. He meets regularly all members of the Group Executive Committee.

The Vice-Chairman has also pursued his regular interactions with managers and other employees of the Group as well as visits to various entities. In 2017, he notably had discussions with the representatives of the employee savings funds, all Group employees.

He is kept informed of the evolution of the competitive environment, technological breakthroughs and business opportunities. Besides being the Chairman of the Governance and Remunerations Committee, he is also participating to the Strategy Committee.

Participation in the preparation of the meetings of the board

The Vice-Chairman 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. As a matter of fact, 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 the 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 chairs the executive sessions (ie. the meetings where Board members discuss without the presence of the two executive Corporate Officers), now convened at the end of each Board meeting.

The board of directors held three executive sessions in 2017 during which its members expressed their views and observations on the unification of the functions of Chairman and Chief Executive Officer and the management's organization. They also debated on the proposed strategic options and the succession plan for Corporate Officers.

The Vice-Chairman lead director reported the conclusions thereof to the Chairman.

Interaction with shareholders

The Vice-Chairman lead director has met with individual shareholders as well as the Shareholders' Advisory Committee. In particular, he has met with several institutional investors representative of a wide range of corporate governance cultures to present to their governance analysts Schneider Electric's governance principles and to hear their views. The conclusions of these meetings have been reported to the Governance and Remunerations Committee and to the board.

Other duties

The Vice-Chairman independent lead director conducted the annual deliberation of the board on its composition, organization and operations as well as those of its committees, with the assistance of the secretary of the board of directors. In 2017, this self-assessment was carried out formally with the assistance of an independent consultancy firm. The conclusions of this assessment, which once again highlighted the high quality and transparency of the discussions, are presented on page 170 of the Registration Document.

The Vice-Chairman lead director has also had frequent contacts 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.

3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-chairman independent lead director

3.1 Internal regulations of the board of directors of Schneider Electric SE

Schneider Electric refers to the AFEP/MEDEF corporate governance Code.

The present internal regulations have been drawn up in application of article 13.7 of the company's articles of association.

These regulations were adopted by the board of directors on April 25, 2013 and last amended on February 14, 2018.

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 chairperson of the board of directors, who will then go by the title of Chairman and Chief Executive Officer, or of another natural 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 on 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 Chair of the board of directors.

B. Chairperson of the board of directors

1. The board of directors shall elect a chairperson amongst its members ("Chairman"). The Chairman shall be appointed for a period that can be no longer than his/her term of office as a director. The Chairman is eligible for re-election. He/she 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 activities, and reports thereon at the annual general shareholders meeting.
3. The Chairman of the board of directors sets the agenda and the schedule for Board meetings with assistance from the Vice-Chairman lead director.
4. The Chairman of the board of directors ensures that the different corporate bodies operate correctly and especially that the directors are in a position to fulfill their mission. The Chairman may request any document or item of information useful to enlighten the board of directors when preparing its meetings.

C. Vice-Chairman of the board of directors – lead independent director

1. The board of directors may appoint a Vice-Chairman. The Vice-Chairman shall be appointed for a period that may not be any longer than his term of office as a director. The Vice-Chairman is eligible for re-election. The Vice-Chairman may be removed from office by the board of directors at any time.
2. The Vice-Chairman shall preside over Board meetings in the absence of the Chairman.

   The Vice-Chairman shall be called upon to replace the Chairman of the board of directors in the event of any temporary inability of the latter to fulfill his/her functions or in the event of death. In the event of the Chairman's inability to fulfill his/her functions, he/she will be replaced by the Vice-Chairman as long as his/her inability may last and, in the case of 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;
   - at the end of every Board meeting, the Vice-Chairman convenes executive sessions with non-executive members of the board of directors, over which he will preside. It is the Vice-Chairman's responsibility to appreciate for each topic discussed whether the employee directors should leave the meeting till the topic is closed. In addition, the Vice-Chairman may convene an executive session between two Board meetings. Any director may ask the Vice-Chairman to convene additional executive sessions;
   - 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 or which may be reported to him;

- the Vice-Chairman is the chairperson of the Governance and remunerations 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 assessments of the board of directors and, in this context, assesses the actual contribution of every member of the board to the board's activities;
- 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 accordance with the criteria published by the company.

Article 2 – Roles and powers of the board of directors

1. The board of directors shall determine company business policies and ensure that they are implemented. Subject to the powers expressly conferred to annual general shareholders meetings and within the limit of the corporate purpose, it shall deal with any issue affecting the company's efficient operation and take business decisions within its remit.
2. In accordance with legal or statutory provisions, it is the board of directors' responsibility to:
   - determine the method of exercising general management of the company;
   - appoint executive corporate officers and also remove them from office (Chief Executive Officer, deputy Chief Executive Officers) as well as to set their remuneration and the benefits granted to them;
   - co-opt directors whenever necessary;
   - convene annual general 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;
   - draw up the corporate governance report 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 general shareholders meetings;
   - authorize statutory conventions (conventions covered by article L.225-38 and following of the Commercial Code);
   - authorize the issue of sureties, endorsements and guarantees;
   - decide on the constitution of study committees and designate their members;
   - decide on the dates for the payment of dividends and any possible down-payments on dividends;
   - distribute directors' fees allocated at the annual general shareholders meeting amongst members of the board of directors.

   In compliance with the provisions set forth in the Commercial Code, the board of directors delegates all powers to the Chairman serving as CEO (or the CEO if appropriate):

   - for issuing, with the possibility of sub-delegating, sureties endorsements or guarantees within a maximum annual sum of EUR500 million, limited per surety, endorsement or guarantee to:

   (i) EUR150 million for commitment guarantees made by Group subsidiaries for Group financial optimization operations,

   (ii) 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 recording 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 Group company for a sum of more than EUR250 million,
     - concluding any strategic partnership agreement;
   - shall review every year its composition, its organization and its mode of operation;
   - shall be consulted prior to acceptance by the Chief Executive Officer or deputy Chief Executive Officers of any corporate appointment in a listed company outside the Group.
4. The activities of the board of directors and its committees shall be described 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 diversifying 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 the Group strategy;
- that employee shareholders and employees shall continue to be represented on the board in compliance with the provisions set forth in articles 11.3 and 11.4 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 a year, including one meeting for examining strategy in detail.

   Notices to attend shall be issued by all means, including verbally. They shall be sent *via* the secretary of the board.
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 or at any other place specified in the notice of the meeting, whether in France or abroad.
3. Any member of the board may appoint another member to represent him at a Board meeting by means of a proxy form.

   During the same meeting, each member of the board may only use one proxy form that he has received further to the foregoing paragraph.

   Members of the board may attend Board meetings by videoconference or telecommunication links, which allow them to be identified and which guarantee their effective participation. In such a case, they are counted among the members present to the meeting. However, in accordance with applicable laws, 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 two-thirds 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 of the board, 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 of the board 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 the main company executives. They shall inform the Chairman serving as CEO (and, if appropriate, the CEO) thereof.

The Chairman serving as CEO shall meet each member of the board individually once a year.

Article 6 – The status of members of the board of directors

1. Members of the board of directors shall represent all the shareholders and shall act in the interests of the company in all circumstances.
2. Members of the board of directors shall attend Board meetings and meetings of the committees of which they are members.

   Any member, who has not attended at least half of the meetings held during the year, unless there are exceptional reasons, shall be deemed to wish to terminate his term of office and shall be invited to resign from the board of directors or the committee concerned, as appropriate.
3. Members of the board of directors shall be bound by a general confidentiality obligation with respect to the deliberations of the board and the committees and with respect to information which is not in the public domain, which they receive further to performing their duties.

4. Directors may not exercise more than 4 other terms of office in listed companies outside the Group.
5. Members of the board of directors shall have a duty to inform the board of directors of any office they may hold or no longer hold in other companies.
6. Members of the board of directors have a permanent duty to ensure that their personal situation shall not give rise to a conflict of interest with the company. In this respect, they shall disclose:
   - the existence of any conflict of interest, even a potential one, upon assuming their duties and then each year in response to a request made by the company at the time of preparation of its registration document;
   - upon occurrence of any event which would render the statement above mentioned totally or partially inaccurate.

   Any member of the board of directors having a conflict of interest, even a potential one, has a duty to notify it to the Vice-Chairman lead director who shall in turn inform the board of directors. The board of directors shall rule upon the conflict of interest and may request to the member(s) of the board of directors concerned to correct his/her situation. The member of the board of directors having a conflict of interest, even a potential one, shall not take part to the discussions nor to the vote of the corresponding decision and may be invited to leave the meeting of the board of directors when the decision is debated.
7. During their term of office, members of the board of directors, to the exclusion of the directors representing employees, shall possess at least 1,000 shares in Schneider Electric SE. For applying this obligation, except for the 250 shares which must be held to comply with article 11.1 of the articles of association, shares held *via* a company mutual fund essentially invested in the 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 French financial market authority within three business days from the 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 of the board, of any acquisition, sale, subscription or exchange concerning shares issued by Schneider Electric SE or any operation on financial instruments linked thereto, conducted on their own account or on their behalf.

8A. Members of the board of directors shall provide the secretary of the board with the list of the persons closely associated with them as defined by the European Regulation n°596/2014 ("Market Abuse Regulation"), whom they shall notify of their individual duties to inform the French financial market authority and Schneider Electric SE (to the attention of the secretary of the board), similar to those applicable to themselves pursuant to paragraph 8 above.

9. Members of the board of directors undertake to abide by the compliance code governing stock-market ethics, of which they have received a copy, with respect to their personal financial transactions. In consequence, members of the board of directors may not acquire or dispose of options or any other derivative relating to Schneider Electric SE shares, except authorized hedging of stock-options plans in order to hedge stock option plans (*e.g.*: hedging of shares subscribed upon exercise of options).

   Members of the board of directors shall refrain from carrying out any transaction involving company's listed shares during the 31 days before the day following publication of annual or half-yearly accounts, and during the 16-day period before the day following publication of quarterly information. The same principle applies when they hold 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 general shareholders meetings.
11. Members of the board of directors shall be remunerated by the payment of directors' fees allocated at annual general shareholders meetings. The said amount will be distributed by the board of directors to its members.

    Missions entrusted to the Vice-Chairman shall give rise to exceptional remuneration under the regime of the regulated agreements.
12. Travelling expenses, notably including hotel and restaurant expenses, incurred by the members of the board of directors in relation to the performance of their duties, shall be borne by the company on presentation 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 interest 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 and remunerations committee;
   - Audit and risks committee;
   - Human Resources and Corporate Social Responsibility committee;
   - Investment committee;
   - Digital 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 chairpersons and members of the committees shall be appointed by the board of directors. However, the Vice-Chairman lead director shall preside over the Governance and remunerations 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.

As a matter of good governance and to the exclusion of the Governance and remunerations committee chaired by the Vice-Chairman lead director, committee chairs should be rotated and not exceed four years for a given committee. The board of directors shall deliberate annually on the Chairmanship of the concerned committee whenever such four-year limit is reached or exceeded.

4. Committees shall meet on the initiative of their chairperson or on request from the Chairman of the board of directors or the CEO.
5. The Chairman serving as CEO or the CEO shall be kept informed of committee meetings. He/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 chairperson 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 of the board.

   A report on each committee's activities shall be given by the committee's chairperson 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 risks 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 head of Internal Audit shall act as secretary to the Audit committee.

The committee shall meet at least five times a year. The chairperson 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 the head of the Internal Audit.

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 issues recommendations to the board for the purpose of ensuring the integrity of the financial information and gives advices. 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 examines the draft annual report, which bears the status of registration document and contains the information on internal control, the draft half-yearly report and, where applicable, any remarks made by the French Financial Market Authority (AMF) concerning these reports, as well as the other key financial information documents;
- it handles follow-up on legal control of annual and consolidated accounts made by statutory auditors, notably by examining the external audit plan and results of controls made by statutory auditors;
- after a consultation process, it shall suggest reappointing the existing statutory auditors or appointing new statutory auditors;
- it shall check the independence of statutory auditors, especially at the time of examining fees paid by the Group to their firm or their network, and by giving prior approval to any missions that are not strictly included in the scope of the statutory audit;
- 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 chairperson 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 respect to internal control. It shall ensure that a relevant process exists for identifying and processing incidents and anomalies,

- it shall examine rules of good conduct notably concerning competition and ethics and the measures implemented to ensure that these rules are circulated and applied.

The Audit committee shall examine proposals for distribution as well as the amount of financial authorizations submitted for approval at annual general shareholders meetings.

The Audit committee shall examine all financial and accounting questions and questions related to risk-management submitted to it by the board of directors.

The Audit committee reports to the board on the findings of its works and how they contributed to the integrity of the financial information. It informs the board of the follow-up actions that it proposes to take. The chairperson 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 remunerations committee

1. Membership and operation of the Governance and remunerations committee

The committee shall be comprised of at least three members.

The Governance and remunerations committee shall be presided by the Vice-Chairman lead director. Failing this, the board shall appoint the chairperson of the committee.

The secretary of the board shall be the secretary of the Governance and remunerations committee.

The committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson 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 and remunerations 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,
- Chairpersons and members of committees;

(ii) for general management of the company. The committee will also give its opinion to the board on nominations for any Deputy CEO's.

The committee shall formulate proposals to the board of directors on the principles and criteria governing the compensation attributable to executive corporate officers (Chairman of the board of directors and/or CEO, Deputy CEO), on the compensation granted to them in accordance with these principles, on the amount of any options or shares attributed to them, and on the benefits of any kind granted to them. To this end, it uses the works of the Human Resources and CSR committee. The committee prepares 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 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 these 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 Human Resources for the Group shall be the secretary to the Human Resources and Corporate Social Responsibility committee.

The committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the committee after consultation with the Chairman serving as CEO. The committee shall meet at least three times a year.

In order to carry out its assignments, the committee may hear any person it wishes.

2. The committee's duties

The committee shall formulate proposals to the board of directors on setting up share subscription/purchase options plans and free/performance shares plans.

The committee shall formulate projects on proposals made by general management on:

- compensation of the members of the Executive Committee;
- principles and criteria for determining the compensation of Group executives.

The committee shall be informed of any nomination of members of the Executive Committee and of the main Group executives.

It shall examine succession plans for key Group executives.

The committee shall prepare the board of directors' deliberations on (i) expansion of employee shareholding, (ii) review by the board on social and financial impacts of major re-organization projects and major human resource policies, (iii) monitoring risks management in relation to human resources and (iv) examining the different aspects of the "CSR" Group policy.

Article 12 – Investment Committee

1. Membership and operation of the Investment committee

The committee shall be comprised of at least three members.

The director of Group Strategy will be secretary to the Investment committee.

The committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson 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 Group M&A director.

2. The Investment committee's duties

The committee prepares the board of directors' deliberations on investment policy and makes proposals in relation to investment and divestment operations.

To this purpose, the committee will:

- look in detail at the strategic options for external growth presented to the board at the annual off-site session and give its opinion thereon;
- supervise the deep-dive reviews presented to the board on investment/divestment projects and report thereon;
- 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;
- inform the board on potential opportunities for external growth for the Group;
- review the post-mortem analysis submitted to the board and convey its conclusions thereon.

Article 13 – Digital Committee

1. Membership and operation of the Digital committee

The committee shall be comprised of at least 3 members.

The Chief Digital Officer or the Chief Information Officer will be secretary to the Digital committee.

The committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the committee after consulting with the Chairman & CEO. The committee shall meet at least three times a year, including a joint review on cyber-security risks with the Audit and risk committee.

In order to carry out its assignments, the committee may hear any person it wishes.

2. The Digital committee's duties

The purpose of the Digital committee is to assist the board in digital matters in order to guide, support and control the Group in its digitization efforts. The Digital committee prepares the board of directors' deliberations on digital matters.

For this purpose, the Digital Committee will review, appraise and follow-up projects and, generally, advise, inter alia on 7 areas:

1. development and growth of the EcoStruxure digital business, including (i) enhancing Core Businesses with Connectivity & Analytics, (ii) building new digital offers & business models, (iii) establishing its contribution to and consistence with the overall strategy;
2. improvement and transformation of the Group's Digital Customers & Partners Experience;
3. improvement of Schneider Electric's Operational Efficiency through the effective use of Information Technology and digital automation capabilities;
4. assessment of Cyber Risks and enhancement of the Group's Cyber Security posture (jointly with the Audit Committee);
5. assessment of the contribution of potential M&A operations to the Group's Digital strategy;
6. monitoring and analysis of the Digital landscape (competitors and disrupters, threats and opportunities);
7. checking that the company is equipped with the right pool of talents for digital transformation.

Article 14 – 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 2 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.

4. Special reports of the Statutory Auditors

4.1 Statutory Auditors' special report on regulated agreements and commitments

To the Shareholders,

In our capacity as Statutory Auditors of your company, we present our report on regulated agreements and commitments.

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 agreements and commitments implemented during the year ended December 31, 2017 and previously 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 commitments submitted to the shareholders for approval at the Shareholders' Meeting

We were informed of the following commitments, which have been previously authorized by your Board of Directors and signed since December 31, 2017.

With Mr. Jean-Pascal TRICOIRE (Chairman & Chief Executive Officer)

Your Board of Directors, pursuant to the renewal of Mr. Jean-Pascal Tricoire's position of director and his reappointment as Chairman & Chief Executive Officer, both approved by the shareholders at the Shareholders' Meeting on April 25, 2017, authorized the renewal of the commitments, as described hereunder, in his favor, on February 14, 2018. These commitments had been previously authorized by your Board of Directors on February 18, 2015 and approved by your Shareholders' Meeting on April 21, 2015:

1) 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, death and dependence.

Mr. Jean-Pascal TRICOIRE benefits from the supplementary health, incapacity, disability, death and dependence cover available to the Group's French senior executives as well as from coverage under the Group personal accident insurance policies.

Additionally, contingency and supplementary cover compensation for health, incapacity, disability, death and dependence inuring to the benefit of Mr. Jean-Pascal TRICOIRE shall be calculated on the basis of his overall remuneration (fixed/variable and additional payments for retirement).

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.

2) Involuntary Severance Pay Scheme

Mr. Jean-Pascal TRICOIRE benefits from an Involuntary Severance Pay scheme (hereinafter "Compensation"). Compensation is capped, taking into account the non-compete compensation stipulated below, at twice the mathematical average of the effective annual remuneration for the last three years as authorized by the Board of Directors (hereinafter "Maximum Amount"). The right to Compensation shall be granted in the following cases:

(i) Dismissal, non-renewal or resignation as Chairman & 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;

(ii) Dismissal, non-renewal or resignation as Chairman & Chief Executive Officer in the event of a reorientation of the strategy pursued and promoted by him until his departure, whether or not in connection with a change in shareholder structure as described above;

(iii) Requested dismissal, non-renewal or resignation as Chairman & 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:

(i) Less than 66 percent; no Compensation shall be awarded;

(ii) 66 percent; the interested party shall receive 75 percent of the Maximum Amount;

(iii) Between 66 percent 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;

(iv) At least 100 percent; he shall receive 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 above.

Involuntary Severance Pay shall not be due in the event that termination occurs as a result of serious or gross misconduct.

3) Non-Compete Agreement

Mr. Jean-Pascal TRICOIRE benefits from the non-compete agreement which shall not exceed one year and shall be remunerated in an amount not exceeding 60 percent of authorized target gross remuneration (fixed and targeted variable, including additional payments for retirement)

Should Mr. TRICOIRE leave involuntarily, the Board of Directors shall rule on the application or the non-application of the agreement, within a period to not exceed fifteen days from the date of departure.

4) 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:

- Mr. TRICOIRE will retain the benefit all his stock options, free shares or performance shares or any other shares attributed to him on February 14, 2018, subject to the mathematical average of the rate of achievement of Group performance objectives, used to determine part of Mr. Jean-Pascal TRICOIRE's bonus, equaling at least two thirds of the target of the three completed financial years preceding his departure.
- Mr. TRICOIRE will retain the benefit all his stock options, free shares or performance shares or any other shares attributed to him after February 14, 2018, based on the prorata temporis of his time of presence within the Group, regardless of his position, unless the Board, in a justified decision and only in the case of an involuntary severance related to material change in Schneider Electric's shareholder structure or reorientation of the strategy, grants the benefit of all stock options, free shares or performance shares, under the same conditions as those applied for stock options, free shares or performance shares attributed before February 14, 2018. These conditions include the changes decided by your Board of Directors on February 14, 2018, to align with best practices in terms of governance and to offer the necessary flexibility to retain high performing managers, and hence have been considered to be in your company's interest.

5) Surviving spouse's pension

Mr. Jean-Pascal TRICOIRE benefits from a spouse's pension in the event that he should die before his retirement or before the end of his term of office, 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. 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 Directors, converted into a theoretical annuity equivalent that may be purchased upon disability in conformity with insurance conditions (technical rate, mortality rate).

The Board of directors noted that the continuation of the duties of Mr. Jean-Pascal TRICOIRE under the same conditions of competitiveness, stability and exclusivity was necessary for the implementation of the company's development strategy as defined by the Board of Directors and, therefore, concluded in the interest of the company.

With Mr. Emmanuel BABEAU (Deputy Chief Executive Officer)

Your Board of Directors, pursuant to the reappointment of Mr. Emmanuel BABEAU as Deputy Chief Executive Officer approved by the shareholders at the Shareholders' Meeting on April 25, 2017, authorized the renewal of the commitments, as described hereunder, in his favor, on February 14, 2018. These commitments had been previously authorized by your Board of Directors on February 18, 2015 and approved by your Shareholders' Meeting on April 21, 2015:

1) 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, death and dependence.

Mr. Emmanuel BABEAU benefits from the supplementary health, incapacity, disability, death and dependence cover available to the Group's French senior executives as well as from coverage under the Group personal accident insurance policies.

Additionally, contingency and supplementary cover compensation for health, incapacity, disability, death and dependence inuring to the benefit of Mr. Emmanuel BABEAU shall be calculated on the basis of his overall remuneration (fixed/variable and additional payments for retirement).

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.

2) 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:

(i) 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;

(ii) 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 his departure, whether or not in connection with a change in shareholder structure as described above;

(iii) 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.

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:

(i) Less than 66 percent; no Compensation shall be awarded;

(ii) 66 percent; the interested party shall receive 75 percent of the Maximum Amount;

(iii) Between 66 percent 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;

(iv) At least 100 percent; he shall receive 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 above.

Involuntary Severance Pay shall not be due in the event that termination occurs as a result of serious or gross misconduct.

3) Non-Compete Agreement

Mr. Emmanuel BABEAU benefits from the non-compete agreement which shall not exceed one year and shall be remunerated in an amount not exceeding 60 percent of authorized target gross remuneration (fixed and targeted variable, including additional payments for retirement).

Should Mr. BABEAU leave involuntarily, the Board of Directors shall rule on the application or the non-application of the agreement, within a period to not exceed fifteen days from the date of departure.

4) 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:

- Mr. Emmanuel BABEAU will retain the benefit all his stock options, free shares or performance shares or any other shares attributed to him on February 14, 2018, subject to the mathematical average of the rate of achievement of Group performance objectives, used to determine part of Mr. Jean-Pascal TRICOIRE's bonus, equaling at least two thirds of the target of the three completed financial years preceding his departure.
- Mr. Emmanuel BABEAU will retain the benefit all his stock options, free shares or performance shares or any other shares attributed to him after February 14, 2018, based on the prorata temporis of his time of presence within the Group, regardless of his position, unless the Board, in a justified decision and only in the case of an involuntary severance related to material change in Schneider Electric's shareholder structure or reorientation of the strategy, grants the benefit of all stock options, free shares or performance shares, under the same conditions as those applied for stock options, free shares or performance shares attributed before February 14, 2018. These conditions include the changes decided by your Board of Directors on February 14, 2018, to align with best practices in terms of governance and to offer the necessary flexibility to retain high performing managers, and hence have been considered to be in your company's interest.

5) Surviving spouse's pension

Mr. Emmanuel BABEAU benefits from a spouse's pension in the event that he should die before his retirement or before the end of his term of office, 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 Directors1, 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 Directors1, converted into a theoretical annuity equivalent that may be purchased upon disability in conformity with insurance conditions (technical rate, mortality rate).

The Board of directors noted that the continuation of the duties of Mr. Emmanuel BABEAU under the same conditions of competitiveness, stability and exclusivity was necessary for the implementation of the company's development strategy as defined by the Board of directors and, therefore, concluded in the interest of the company.

Agreements and commitments 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 following agreements and commitments already approved by the shareholders at the Shareholders' Meetings in prior years, were implemented during the year ended December 31, 2017:

With Mr. Leo APOTHEKER (Vice-Chairman, Independent Lead Director)

On December 15, 2016, your Board of Directors authorized the compensation of Mr. Leo APOTHEKER with regards to his role 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, taxes and expenses set aside.

This agreement, signed on January 25, 2017 and implemented for one year starting April 26, 2016, was approved by the Shareholders' meeting and ended on April 25, 2017.

Your Board of Directors justified this convention as it was in the interest of your company that Mr. Leo APOTHEKER carried out his assigned mission with the same commitment and expertise, as authorized by your Board of Directors on May 6, 2014 and approved by the shareholders' meeting on April 21, 2015.

Signed in Paris-La Défense and in Courbevoie, on March 12, 2018

The Statutory Auditors

Ernst & Young et Autres	**Mazars**
Jean-Yves Jégourel	Loic Wallaert
Alexandre Resten	

4.2 Statutory Auditors' report on the issuance of shares and/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 and/or securities giving access to the share capital of the company with cancellation of preferential subscription rights, reserved for participants in a Company Savings Plan of the company and of the French or non-French companies affiliated with the company in accordance with article L.225-180 of the French Commercial Code (*Code de commerce*) and article L.3344-1 of the French Labor Code (*Code du travail*), an operation upon which you are called to vote.

The maximum nominal amount of the increase in capital that may result from this issue is 2 percent of the share capital on the date of implementation of this delegation, it being specified that this amount shall be deducted from the ceilings referred to in the 19th and 21st resolutions adopted by the Shareholders' Meeting dated April 25, 2017.

This issue is submitted for your approval in accordance with articles L.225-129-6 of the French Commercial Code (*Code de commerce*) and L.3332-18 *et seq.* of the French Labor Code (*Code du travail*).

Your board of directors proposes that, on the basis of its report, it be 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 to the equity securities to be issued. If applicable, it shall determine the final conditions of this operation. This delegation may only be used from June 30, 2018.

It is the responsibility of the board of directors to prepare a report in accordance with articles R.225-113 *et seq.* of the French Commercial Code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to the share issue provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the board of director's report relating to this operation and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price of 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 preferential subscription rights.

In accordance with article R.225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report, if necessary, when your board of directors has exercised this authorisation.

Signed in Paris-La Défense and in Courbevoie, on March 12, 2018

The Statutory Auditors

Ernst & Young et Autres	**Mazars**
Jean-Yves Jegourel	Loïc Wallaert
Alexandre Resten	

4.3 Statutory auditors' report on the issuance of shares and/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 officers of companies of the Schneider Electric Group affiliated with the company under 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 (*Code du travail*) and the head 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 unit holders or shareholders of which consist of persons described in (i) of this paragraph; (iii) and/or any banking institution or affiliate or subsidiary of such institution acting at the company's request for purposes of implementing and giving effect to a shareholder incentive or investment or savings plan for the benefit of the persons described in (i) of this paragraph, an operation upon which you are called to vote.

The maximum nominal amount of the increase in capital that may result from this issue is 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 16th resolution of this Shareholders' Meeting, but is autonomous and distinct from the ceiling referred to in the 19th and 21st resolutions adopted by the Shareholders' Meeting dated April 25, 2017.

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 to the equity securities to be issued. This delegation may only be used from August 1, 2018.

It is the responsibility of the board of directors to prepare a report in accordance with articles R.225-113 *et seq.* of the French Commercial Code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to the share issue provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the board of director's report relating to this operation and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price of 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 preferential subscription rights.

In accordance with article R.225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report, if necessary, when your board of directors has exercised this authorization.

Signed in Paris-La Défense and in Courbevoie, on March 12, 2018

The Statutory Auditors

Ernst & Young et Autres	**Mazars**
Jean-Yves Jegourel	Loïc Wallaert
Alexandre Resten	

5. Draft resolutions

FIRST RESOLUTION	Approval of corporate financial statements for the 2017 financial year
SECOND RESOLUTION	Approval of consolidated financial statements for the 2017 financial year
THIRD RESOLUTION	Appropriation of profit for the financial year, setting the dividend and withholding on issue premiums
FOURTH RESOLUTION	Approval of the regulated agreements and commitments relating to Mr. Jean-Pascal Tricoire's status
FIFTH RESOLUTION	Approval of the regulated agreements and commitments relating to Mr. Emmanuel Babeau's status
SIXTH RESOLUTION	Information regarding regulated agreements and commitments undertaken during previous financial years
SEVENTH RESOLUTION	Approval of elements of the compensation paid, due or awarded in respect of the 2017 financial year to Mr. Jean-Pascal Tricoire
EIGHTH RESOLUTION	Approval of elements of the compensation paid, due or awarded in respect of the 2017 financial year to Mr. Emmanuel Babeau
NINTH RESOLUTION	Approval of principles and criteria for determining, allocating and granting the elements of the compensation and benefits of all types that may be granted to the Chairman and Chief Executive Officer in respect of 2018 financial year
TENTH RESOLUTION	Approval of principles and criteria for determining, allocating and granting the elements of the compensation and benefits of all types that may be granted to the Deputy Chief Executive Officer in respect of 2018 financial year
ELEVENTH RESOLUTION	Renewal of a directorship: Mr. Willy Kissling
TWELFTH RESOLUTION	Renewal of a directorship: Ms. Linda Knoll
THIRTEENTH RESOLUTION	Appointment of a director: Ms. Fleur Pellerin
FOURTEENTH RESOLUTION	Appointment of a director: Mr. Anders Runevad
FIFTEENTH RESOLUTION	Authority granted to the board of directors to buy back company shares – maximum purchase price per share EUR90
SIXTEENTH RESOLUTION	Delegation of authority to the board of directors to undertake capital increases reserved for participants in a Company savings Plan up to a limit of 2% of the share capital, without shareholders' preferential subscription right
SEVENTEENTH RESOLUTION	Delegation of powers to the board of directors to undertake capital increases reserved for a category of beneficiaries: in favor of employees of foreign companies of the Group, either directly or *via* entities acting on their behalf thereof, to offer employees of foreign companies of the Group benefits comparable to those offered to participants in the Company Savings Plan up to 1% of the share capital, without shareholders' preferential subscription right
EIGHTEENTH RESOLUTION	Powers for formalities

Ordinary meeting

FIRST RESOLUTION — Approval of corporate financial statements for the 2017 financial year

The Annual 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 2017 financial year as presented, as well as the transactions reflected in these statements or summarized in such reports showing a net profit of EUR121,487,669.16.

SECOND RESOLUTION — Approval of consolidated financial statements for the 2017 financial year

The Annual 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 financial statements and the statutory auditors' report, approves the consolidated financial statements for the 2017 financial year as presented, as well as the transactions reflected in these statements or summarized in such reports.

THIRD RESOLUTION — Appropriation of profit for the financial year, setting the dividend and withholding on issue premiums

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, at the proposal of the board of directors:

(i) after taking into account that negative retained earnings amounts to EUR5,950,968.52, decides to allocate the amount of retained earnings to the profit of the financial year which sets the total distributable earnings at EUR115,536,700.64;

(ii) decides on the distribution to the 596,916,242 shares with a par value of EUR4 comprising the share capital on December 31, 2017, and dividend rights on January 1, 2018, at EUR2.20 per share, and as a result sets at EUR185,506,162.10 the amount to withhold on issue premiums relating to the contribution of Legrand shares, at EUR930,233,532.00 the amount to withhold on issue premiums relating to the contribution of Invensys shares and at EUR81,939,337.66 the amount to withhold on other issue premiums to carry out this distribution.

Net profit	**EUR121,487,669.16**
Retained earnings	EUR(5,950,968.52)
Distributable earnings	EUR115,536,700.64
Withholding on issue premiums relating to the contribution of Legrand shares	EUR185,506,162.10
Withholding on issue premiums relating to the contribution of Invensys shares	EUR930,233,532.00
Withholding on other issue premiums	EUR81,939,337.66
Total amount of the distribution	**EUR1,313,215,732.40**
Amount of issue premiums relating to the contribution of Legrand shares after withholding from the distribution	0
Amount of issue premiums relating to the contribution of Invensys shares after withholding from the distribution	0
Amount of other issue premiums after withholding from the distribution	EUR3,948,914,875.34

With regard to taxation, it is specified that the breakdown of this distribution of EUR2.20 per share is as follows:

- up to EUR0.19, the dividend constitutes distributed income subject to a social security tax of 17.2% charged on the gross amount when paid. The gross amount of French-source dividends received by resident individuals will also be subject to a mandatory non-definitive levy at source of 12.8%, unless exemption from this levy is requested. In 2019, dividends will in principle be subject to a flat-rate tax ("*Prélèvement forfaitaire unique*" – "PFU") at the rate of 12.8% unless option is selected for dividends to be subject to income tax at ordinary progressive rates. In such case, after applying a 40% (uncapped) allowance, only 60% of the dividends will be included in the taxable income, less any deductible charges and expenses. The above-mentioned levy at source of 12.8% will be imputed on the income tax that will be due in 2019 for income earned in 2018;
- in the amount of EUR2.01, withheld on issue premiums, the distribution constitutes a capital repayment. As such, it is not subject to income tax for individual shareholders resident in France pursuant to article 112-1 of the French Tax Code, as all profits and reserves other than the legal reserve have been previously distributed.

Dividends/coupons paid by Schneider Electric SE for the 3 most recent financial years are as follows, in EUR:

	2014	2015	2016
	1.92	2.00	2.04

FOURTH RESOLUTION

Approval of the regulated agreements and commitments relating to Mr. Jean-Pascal Tricoire's status

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having heard the board of directors' report and the Statutory Auditors' special report presented in accordance with the provisions of article L.225-40 of the French Commercial Code on the agreements and commitments covered by article L.225-38 and L. 225-42-1 of said Code, approves the agreements and the commitments presented in said reports relating to Mr. Jean-Pascal Tricoire's status.

FIFTH RESOLUTION

Approval of the regulated agreements and commitments relating to Mr. Emmanuel Babeau's status

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, having heard the board of directors' report and the Statutory Auditors' special report presented in accordance with the provisions of article L.225-40 of the French Commercial Code on the agreements and commitments covered by article L.225-38 and L.225-42-1 of said Code, approves the agreements and the commitments presented in said reports relating to Mr. Emmanuel Babeau's status.

SIXTH RESOLUTION

Information regarding regulated agreements and commitments undertaken during previous financial years

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, takes due note of the information set forth in the Statutory Auditors' special report relating to the agreements and the commitments undertaken in previous financial years and approved by the Annual Shareholders' Meeting.

SEVENTH RESOLUTION

Approval of elements of the compensation paid, due or awarded in respect of the 2017 financial year to Mr. Jean-Pascal Tricoire

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, in accordance with article L.225-100 of the French Commercial Code, approves the components of the compensation due or awarded for the 2017 financial year to Mr. Jean-Pascal Tricoire as presented in the governance report of the Company referred to in article L.225-37 of said Code.

EIGHTH RESOLUTION

Approval of elements of the compensation paid, due or awarded in respect of the 2017 financial year to Mr. Emmanuel Babeau

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, in accordance with article L.225-100 of the French Commercial Code, approves the components of the compensation due or awarded for the 2017 financial year to Mr. Emmanuel Babeau as presented in the Company's governance report referred to in article L.225-37 of said Code.

NINTH RESOLUTION

Approval of principles and criteria for determining, allocating and granting the elements of the compensation and benefits of all types that may be granted to the Chairman and Chief Executive Officer in respect of the 2018 financial year

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, in accordance with article L.225-37-2 of the French Commercial Code, approves the principles and criteria for determination, distribution and allocation of the fixed, variable and exceptional elements which make up the total compensation and benefits of any type that may be granted, on account of his role, to the Chairman and CEO, as specified in the Company's governance report referred to in article L.225-37 of said Code.

TENTH RESOLUTION

Approval of principles and criteria for determining, allocating and granting the elements of the compensation and benefits of all types that may be granted to the Deputy Chief Executive Officer in respect of the 2018 financial year

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for ordinary meetings, in accordance with article L.225-37-2 of the French Commercial Code, approves the principles and criteria for determination, distribution and allocation of the fixed, variable and exceptional elements which make up the total compensation and benefits of any type that may be granted, on account of his role, to the Deputy CEO, as specified in the Company's governance report referred to in article L.225-37 of said Code.

ELEVENTH RESOLUTION Renewal of a directorship: Mr. Willy Kissling

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary meetings, having heard the board of directors' report, hereby resolves to re-elect Mr. Willy Kissling as director for a 2-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2020 to approve the financial statements for the financial year ending December 31, 2019.

TWELFTH RESOLUTION Renewal of a directorship: Ms. Linda Knoll

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary meetings, having heard the board of directors' report, hereby resolves to re-elect Ms. Linda Knoll as director for a 4-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2022 to approve the financial statements for the financial year ending December 31, 2021.

THIRTEENTH RESOLUTION Appointment of a director: Ms. Fleur Pellerin

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary meetings, having heard the board of directors' report, hereby appoints Ms. Fleur Pellerin as director for a 4-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2022 to approve the financial statements for the financial year ending December 31, 2021.

FOURTEENTH RESOLUTION Appointment of a director: Mr. Anders Runevad

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary meetings, having heard the board of directors' report, hereby appoints Mr. Anders Runevad as director for a 4-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2022 to approve the financial statements for the financial year ending December 31, 2021.

FIFTEENTH RESOLUTION Authority granted to the board of directors to buy back company shares – maximum purchase price per share EUR90

The Annual 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 the provisions of article L.225-209 of the French Commercial Code and of Regulation (EU) no. 596/2014 of April 16, 2014 on market abuse (Market Abuse Regulation), to acquire or have acquired the Company's shares for the purpose of:

- reducing the share capital within the maximum legal limit;
- covering stock purchase option plans or other share allocations to employees or officers of the Company or an associated company;
- fulfilling obligations related to 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);
- engaging in market making under and pursuant to a liquidity agreement consistent with the *Autorité des Marchés Financiers* accepted market practices; or
- implementing and carrying out any other 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 the Annual Shareholders' Meeting (*i.e.* for information purposes, 59,691,624 shares on the basis of the share capital as of December 31, 2017).

The maximum share purchase price is set at EUR90 per share without exceeding the maximum price set by applicable laws and regulations. However, if all or some of the shares acquired pursuant to these conditions are intended to grant stock options, pursuant to articles L.225-177 *et seq.* of the French Commercial Code, the selling price of the shares in question will be determined in accordance with the legal provisions governing stock options.

As a result of the aforesaid limits, the maximum aggregate amount of share buy-backs shall not exceed EUR5,372,246,160.

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 may include acquisition or sale of blocks on a regulated exchange or directly between individuals (over-the-counter), to the extent compliant 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-seventh resolution adopted by the Annual Shareholders' Meeting of April 25, 2017.

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.

Extraordinary meeting

SIXTEENTH RESOLUTION Delegation of authority to the board of directors to undertake capital increases reserved for participants in a Company Savings Plan up to a limit of 2% of the share capital, without shareholders' preferential subscription right

The Annual Shareholders' Meeting, having fulfilled the quorum and majority requirements required for extraordinary meetings, having heard 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 26 months from 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, under 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, reserved for participants in a Company Savings 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, with the possibility to issue shares against cash or by capitalizing reserves, profits or premium in case of grants of free shares or of securities granting access to share capital on account for the discount or the matching contribution, it being specified that (i) such limit shall be charged against the limits set forth in the nineteenth and twenty-first resolutions approved by the Annual Shareholders' Meeting of April 25, 2017, and (ii) this authorization may be used only from and after June 30, 2018;
- hereby resolves to set a maximum discount to be offered in connection with Company Savings Plan at 20% of an average of the trading price of the Company's shares on Euronext Paris during the 20 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 aforementioned discount within applicable legal and regulatory requirements, or not to grant one, in particular so as to take into account the laws and regulations applicable in countries where such offering may be implemented;
- hereby authorizes the board of directors to make grants of free ordinary shares or other securities granting immediate or deferred access to ordinary share capital, in total or partial substitution for the discount and/or, as the case may be, for the matching contribution, provided that the value of the benefit resulting from this grant on account for the discount or the matching contribution, shall not exceed the limits imposed by applicable law and regulations;
- hereby resolves that the characteristics of the other securities granting access to Company capital shall be decided and determined by the board of directors under the terms and conditions set by applicable law and regulations;
- hereby resolves to waive in favor of the participants in a Company Savings Plan the shareholders' preferential right to subscribe for the shares and securities granting access to capital to be issued under and pursuant to this resolution;
- acknowledges that this authorization entails an automatic waiver of preferential subscription rights to shares that the securities issued on the basis of this resolution may carry the right to acquire;
- hereby resolves that this authorization cancels, effective June 30, 2018, the authorization given by the Annual Shareholders' Meeting of April 25, 2017, in its twenty-fifth 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.

SEVENTEENTH RESOLUTION Delegation of powers to the board of directors to undertake capital increases reserved for 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 employees of foreign companies of the Group benefits comparable to those offered to participants in the Company Savings Plan up to 1% of the share capital, without shareholders' preferential subscription right

The Annual 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:

- hereby 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, granting the same rights as previously issued shares, such issue to be reserved for 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 sixteenth resolution of this Annual Shareholders' Meeting, but, which, on the other hand, is separate and apart from the limits set forth in the nineteenth and twenty-first resolutions of the Annual Shareholders' Meeting of April 25, 2017, and (ii) this authorization may be used only from and after August 1, 2018;

- hereby resolves to waive the shareholders' preferential right to subscribe for shares or other securities granting access to the share capital pursuant to this resolution and to reserve the right to subscribe 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 under 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 head 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 unit holders or shareholders of which consist of persons described in (i) of this paragraph; (iii) and/or any banking institution or affiliate or subsidiary of such institution acting at the company's request for purposes of implementing and giving effect to a shareholder incentive or investment or savings plan for the benefit of the persons described in (i) of this paragraph, to the extent that subscription of the person authorized in accordance with this resolution would make it possible for employees of subsidiaries located outside France to benefit from and take advantage of forms of shareholder incentive or investment or savings plans equivalent in terms of economic benefit to those from which the other employees of the Group benefit;
- hereby takes note that this authorization shall constitute automatically and by law an express waiver by the shareholders, in favor of the holders of securities granting access to Company capital, of their preferential 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 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 of either (i) 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 quoted prices for the Company's shares during the 20 trading sessions preceding the date of the decision by the board of directors or the authorized representative thereof setting the issue conditions under and this resolution or setting the issue price under the sixteenth resolution approved by this Annual Shareholders' Meeting; the board of directors may set the issue price by applying a maximum discount of 20% of the trading price of the Company's shares determined in accordance with either of the 2 methods set forth in clauses (i) and (ii) of this paragraph; the percentage of such discount applied to the trading price of the Company's shares shall 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 securities to be offered to each of them, provided 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 offered securities providing access to capital 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 the 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 rule, to enter into any agreement, in particular to ensure the due and proper completion of the contemplated issuances, take all steps and complete any required formalities in connection with the issue, the listing and financial servicing of the securities issued under and 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, 2018, the authority given by the Annual Shareholders' Meeting of April 25, 2017, in its twenty-sixth 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 Annual Shareholders' Meeting.

Ordinary meeting

EIGHTEENTH 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 the purposes of carrying out 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.

March 16, 2018

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, 2015, registered with *Autorité des Marchés Financiers* (AMF) under number D16-0154 on March 19, 2016;
- the consolidated financial statements and corresponding auditors' reports provided in Chapter 5 of the registration document for the year ended December 31, 2016, registered with *Autorité des Marchés Financiers* (AMF) under number D.17-0177 on March 17, 2017;
- the parent company financial statements and corresponding auditors' reports provided in Chapter 6 of the registration document for the year ended December 31, 2015, registered with *Autorité des Marchés Financiers* (AMF) under number D16-0154 on March 19, 2016;
- the parent company financial statements and corresponding auditors' reports provided in Chapter 6 of the registration document for the year ended December 31, 2016, registered with *Autorité des Marchés Financiers* (AMF) under number D.17-0177 on March 17, 2017;
- the management report provided in Chapter 4 of the registration document for the year ended December 31, 2015, registered with *Autorité des Marchés Financiers* (AMF) under number D16-0154 on March 19, 2016;
- the management report provided in Chapter 4 of the registration document for the year ended December 31, 2016, registered with *Autorité des Marchés Financiers* (AMF) under number D.17-0177 on March 17, 2017.
- 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 and Alexandre Resten	1992	2022
Mazars Tour Exaltis – 61, rue Henri-Regnault – 92400 Courbevoie Represented by Loïc Wallaert	2004	2022
Alternate Auditors		
Auditex	2010	2022
Thierry Blanchetier	2010	2022

Ernst & Young et Autres and Mazars are members of the Auditors' Regional Company of Versailles.

Internet
www.schneider-electric.com

YouTube
SchneiderCorporate
(https://www.youtube.com/user/Schneider Corporate)

Twitter
@SchneiderElec
(https://twitter.com/SchneiderElec)

Instagram
SchneiderElectric
(https://www.instagram.com/schneiderelectric)

LinkedIn
linkedin.com/company/schneider-electric
(https://www.linkedin.com/company/schneider-electric)

Facebook
SchneiderElectric
(https://www.facebook.com/SchneiderElectric)

Schneider Electric TV
tv.schneider-electric.com
(http://tv.schneider-electric.com/site/schneidertv/index.cfm)

FINANCIAL CALENDAR

Investor relations

April 24, 2018	Shareholders' Annual Meeting (Paris)
May 4, 2018	Dividend payment

Financial releases

February 15, 2018	2017 Annual Results
April 19, 2018	Q1 2018 Sales
July 26, 2018	Half Year Results
October 25, 2018	Q3 2018 Sales

Investors Relations
Amit Bhalla
Tel.: +44 (0)20 7592 8216

Press Contact
Véronique Roquet Montegon
Tel.: +33 (0)1 41 29 70 76
Fax: +33 (0)1 41 29 88 14

www.schneider-electric.com

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Designed & published by LABRADOR +33 (0)1 53 06 30 80

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Schneider Electric SE

Headquarters:
35, rue Joseph Monier - CS 30323
F-92506 Rueil-Malmaison Cedex (France)
Tel.: +33 (0) 1 41 29 70 00
Fax: +33 (0) 1 41 29 71 00
www.schneider-electric.com

Incorporated in France,
governed by a board of directors
with issued capital of EUR 2,387,664,968
Registered in Nanterre, R.C.S. 542 048 574
Siret no.: 542 048 574 01 091

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