Sustainability performance at Schneider Electric

Solving customer pain points through sustainability

Schneider Electric 2017

Disclaimer

All forward-looking statements are Schneider Electric management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. For a detailed description of these factors and uncertainties, please refer to the section "Risk Factors" in our Annual Registration Document (which is available on www.schneider-electric.com). Schneider Electric undertakes no obligation to publicly update or revise any of these forward-looking statements.

This presentation includes information pertaining to our markets and our competitive positions therein. Such information is based on market data and our actual revenues in those markets for the relevant periods. We obtained this market information from various third party sources (industry publications, surveys and forecasts) and our own internal estimates. We have not independently verified these third party sources and cannot guarantee their accuracy or completeness and our internal surveys and estimates have not been verified by independent experts or other independent sources.

We are strategically committed into sustainability
Publication of our second "integrated report" in April 2017

Sustainability is a **growth pillar** for Schneider Electric. Our sustainability strategy is integrated in the Group strategy to **meet the energy challenge.**

With this report, we want to bring to all our stakeholders the strategic information that we regularly present to investors and shareholders.

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Purpose of this document: demonstrate in a few pages (~30) how the strategy that Schneider Electric deploys creates value for all its stakeholders.

We defined sustainability megatrends most impacting Schneider Electric for the “Schneider is On” company program 2015-2020

Climate

Increase in temperatures is projected to likely exceed 1.5 degree by 2100, **up to 4.8 degrees** (IPCC fifth report).

COP21 (Dec. 2015) must lead to a legally binding **climate agreement**, applicable to all countries from 2020, to maintain global warming below 2 degrees.

Circular economy

The decline in ecosystems is making natural resources **scarcer, more expensive and less diverse** (KPMG “Expect the unexpected”).

A circular economy seeks to **restore capital**, applies to entire systems -not only products-, and e.g. sells “performances” instead of “goods” with a **higher profit margin** (Ellen MacArthur Foundation).

Ethics

The OECD has published the **Anti-Bribery Convention**, the first multilaterally agreed code of business conduct that governments have committed to promoting.

The **UN “Ruggie Framework”** states the companies’ responsibility to respect human rights and avoid causing or contributing to adverse human rights impacts.

Health & Equity

Health determines an individual's **ability to produce and consume**.

In developing countries, human health will be increasingly affected by climate change (heat waves, floods) & rapid urbanization (e.g. in Asia).

Other countries will face increased stress and lifestyle-based disorders such as cardiovascular diseases, obesity and diabetes.

Development

“End poverty in all its forms everywhere” and “Ensure access to affordable, reliable, sustainable, and modern energy for all” are two of the **UN Sustainable Development Goals** to succeed the UN Millennium Development Goals after 2015.

For more than 10 years, we have steered and advanced our sustainability performance with the "Planet & Society barometer"

Our 4th Planet & Society barometer - Results as of Q1 2017

Our megatrends 2015-2020 and our targets 2015-2017			Start 01/2015	Results Q4 2016	Results Q1 2017	Target 12/2017
		Overall score (out of 10)	3.00	8.48	8.79 ↑	9/10
PLANET	CLIMATE	1 **10%** energy savings	-	7.1%	7.2 % ↑	10%
		2 **10%** CO_2 savings from transportation	-	11.2%	11.2% →	10%
	CIRCULAR ECONOMY	3 **Towards zero** waste to landfill for 100 industrial sites	34	99	99 →	100
		4 **100%** of products in R&D designed with *Schneider ecoDesign Way*™	-	81.6%	100% ↑	100%
PROFIT	CLIMATE + DEVELOPMENT (Sustainability offers)	5 **75%** of product revenue with *Green Premium*™ eco-label	60.5%	74.8%	75.2% ↑	75%
		6 **100%** of new large customer projects with CO_2 impact quantification	-	16%	16% →	100%
		7 **120,000 tons** of CO_2 avoided through maintenance, retrofit and end-of-life services	-	101,508	122,250 ↑	120,000
		8 **x5** turnover of Access to Energy program to promote development	-	x2.1	x2.04 ↓	x5
	ETHICS	9 **100%** of our recommended suppliers embrace ISO 26000 guidelines	48%	82.3%	83.7% ↑	100%
		10 **All** our entities pass our internal Ethics & Responsibility assessment	-	93.4%	93.4% →	100%
PEOPLE	HEALTH & EQUITY	11 **30%** reduction in the Medical Incident Rate (MIR)	-	33%	27% ↓	30%
		12 **One day** training for every employee every year	79%	92%	87.2% ↓	85%
		13 **64%** scored in our Employee Engagement Index	61%	64%	64% →	64%
		14 **85%** of employees work in countries with Schneider gender pay equity plan	-	75%	75% →	85%
	DEVELOPMENT	15 **150,000** underprivileged people trained in energy management	73,339	123,839	131,153 ↑	150,000
		16 **1,300** missions within Schneider Electric Teachers NGO	460	1,065	1,119 ↑	1,300

↑↑ *The arrow shows if the indicator has risen, stayed the same or fallen compared to the previous quarter. The colour shows if the indicator is above or below the objective of 9/10.*

Sustainability is at the core of everything we do – Our commitment is recognized

Climate
- Carbon neutrality by 2030
- CO_2 impact quantification of large customer projects
- Investment in R&D for sustainability (EUR10 billion over 10 years)

Ethics
- Human Rights policy
- UN Guiding Principles on Business & Human Rights (Ruggie framework)
- Supplier Code of Conduct

Circular economy
- Zero Waste to Landfill
- Maintenance, retrofit and end-of-life services
- Schneider ecoDesign Way to all new offers

Health & Equity
- Employee Well-being program
- Gender pay equity
- One day training for every employee per year

Development
- Low carbon solutions for access to electricity (for 50 million people over 10 years)
- Fighting fuel poverty in mature countries
- Employee volunteering for development

FORTUNE

ROBECOSAM Sustainability Award Industry Leader 2016

CDP A LIST 2015 CLIMATE

FTSE4Good

vigeo eiris

Corporate Responsibility Prime rated by oekom research

Fortune Magazine: #24 / 50 Companies that are changing the world

DJSI Industry Leader
for the 4th consecutive year

CDP Climate Leader
part of the "Climate A list" for the 6th consecutive year

Ethisphere, world's most ethical companies
listed for the 7th consecutive year

FTSE4Good: listed for the 1st time since inception in 2001

3rd company globally for clean-energy in Carbon Clean 200 List

27th most sustainable company in the world in Global 100 most sustainable corporations

10th greenest company in the world in Newsweek Global Green Ranking

Vigeo Eiris Industry Leader

Oekom Industry Leader

A governance organization guaranteeing independent control of general management and the Chairman & CEO

INDEPENDENCE

- 75% independent directors
- 1 single executive director sitting on the board: the Chairman and CEO
- 1 Deputy CEO named by the board; not a director
- Average rate of directors' participation in 2016: 94%

4 COMMITTEES

- 4 study committees whose works contribute to increasing directors' control and the quality of their control: Audit & Risks, Governance & Remunerations, Human Resources & Corporate Social and Environmental Responsibility, Strategy
- All the directors are members of at least one committee

UNIFICATION OF THE FUNCTIONS OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

- The unification of the functions of Chairman and CEO is reversible and reviewed annually by the board
- The appointment of a Vice-chairman (independent lead director) has been made compulsory in the articles of association
- Executive sessions are held outside the presence of corporate executive officers

LIMITATIONS TO THE POWERS OF THE CHAIRMAN & CEO

- Any acquisition or sale of a value of over 250 million euros must be approved by the board

POST 2017 AGM

- 12 directors
- 42% Women
- 75% independent directors
- 58% directors of non-French nationality or origin

Finance

Main 2016 results

2017 guidance & Q1 revenues

Guidance over 2017 - 2019

Solid execution of Schneider is On: Strong improvement in Adjusted EBITA margin, all time high Free Cash Flow and Net Income up +24%

- We successfully delivered on our roadmap in 2016
  - Adj. EBITA c.+90 bps before FX, exceeding initial target and top-end of revised target
  - All time high FCF of €2.2bn

- We focus on creating shareholder value:
  - TSR c.48% in last 12 months.
  - €2.04 dividend proposed, up +2%

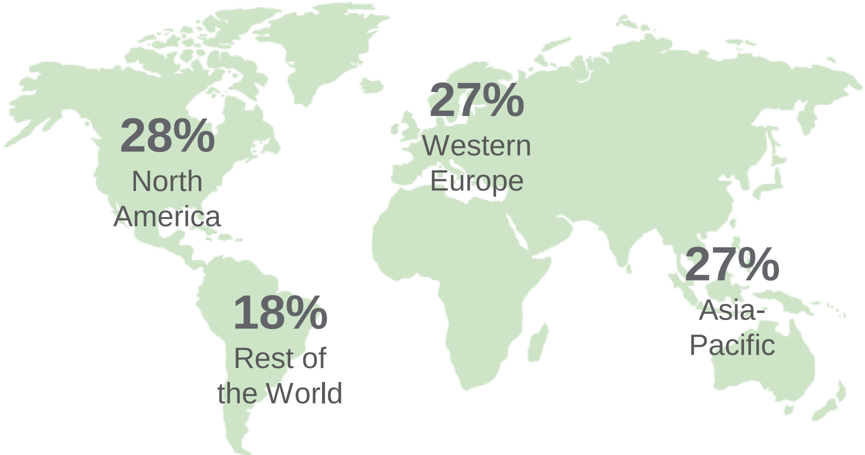
- Company well positioned for profitable growth:
  - Major geographies set to improve though geo-political uncertainty remains
  - Strategy to focus on products, services and better systems fully delivering

- Ramping up EcoStruxure, our Digital architecture, across major markets

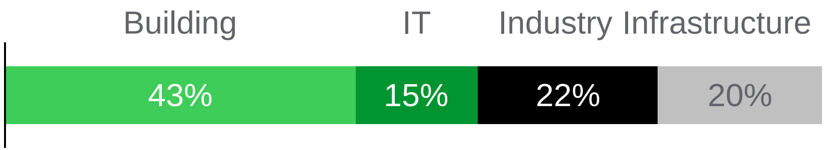
- Consistent & solid execution of "Schneider is On." Margin improvement underway with focus on organizational simplification, consistent execution and potential portfolio pruning

Schneider Electric 2016 highlights

Balanced geographies – FY 2016 revenues



Four integrated and synergetic businesses
– FY 2016 revenues



€24.7 billion
FY 2016 revenues

5%
of FY revenues devoted to R&D

41%
of FY revenues in new economies

44%
of FY revenues as Solutions

All our financial targets have been reached in 2016

INDICATOR	TARGETS	2016 RESULTS
Organic growth	~ stable before selectivity impact	✓ Slightly positive before selectivity impact[1]
Adjusted EBITA margin	+60 to +90 base points, before FX (initially: +20 to +60bps)	✓ ~+90base points
Conversion of net income into free cash-flow[2]	~100%	✓ 118%
Optimization of the business portfolio	Disposal of non-core businesses	✓ - Telvent Transportation: disposal finalized - Strategic review launched on DTN, disposal announced during the 1st quarter of 2017
Share buy-back	~1.5 billion € over 2015 - 2016	✓ 1.5 billion €

1: Excluding the selectivity impact on projects amounting to about -280m€ to -300m€
2: Through the economic cycle

Life Is On | Schneider

Good start to 2017: Q1 growth of 4.5%, +3.1% organic, thanks to successful execution and improving trends in many geographies and end-markets

Building, IT and Industry up c.+4.4%, Infrastructure down on selectivity initiatives

- Building grew across all regions. China and the U.S grew strongly. Wiring devices & Final D. up +6% organic
- Industry grew strongly, in a continued favorable market for discrete industries; Process automation stabilizing
- Infrastructure up c. +1% ex-selectivity[1]. Good progress on EcoStruxure grid
- IT was up, with improvement across all regions and strong growth in New Economies

All regions grew. New economies up +6 % with strong growth in China, Russia and India

- North America grew with the U.S. up thanks to construction, OEM & IT
- Western Europe showed good organic growth across all businesses
- Asia Pacific grew thanks to strong growth in China & India while mature markets (Australia, Japan) declined
- Rest of the World was up, with double-digit growth in CIS and Africa. Middle-East & South America remained weak

Strategic initiatives progressing well

- Products revenue up +5% organic in Q1; Service orders up high single-digits organic
- EcoStruxure roll-out on track
- Portfolio optimization: DTN (Infrastructure) disposal expected to close in H1

2017 Objective confirmed

1. Excluding a selectivity impact estimated at c.€40m in Q1

2017 Targets

Following the positive Q1 results, the Group expects increased momentum in 2017 in its major end-markets. Construction and discrete industries should remain positive across key markets, notably in the U.S. and China. Western Europe is expected to grow moderately, but some political risks remain. The Group will still face headwinds from O&G and continued weakness in some resource driven economies, although these may ease towards the end of the year.
Additionally, in 2017 the Group will face a strong increase in raw material costs estimated at c.-€200m at current prices. In this environment, the Group's priorities are to increase prices to mitigate raw material impact, to grow its partner network through the launch of many new integrated offers, accelerate products, services and software, work on margin improvement through continued selectivity on projects and keep a strong attention on cost control. In addition, the Group should benefit from the recent deployment of its EcoStruxure architectures in several domains to create opportunities for growth.

Therefore, the Group confirms its targets for 2017:

- Organic revenue growth between +1% and +3% for the Group outside Infrastructure. For Infrastructure the priority remains margin improvement and the organic growth target for the division is to be about flat underlying, before an expected -4% to -5% impact from project selectivity for the division in 2017.

- +20bps to +50bps organic improvement on adjusted EBITA margin. The FX impact at current rates is expected to be about neutral on margin

Our perspectives for the next 3 years:
Solid organic growth in revenues and adjusted EBITA margin …

Average organic growth target over the next 3 years …

Building | Industry | IT

Around 3%

Infrastructure

Focus on margin improvement

Organic growth target over the cycle unchanged: +3 % to +6 %

…resulting in organic growth in our adjusted EBITA margin in the next 3 years

Organic revenue growth
+
Price net of raw material impact
+
Better systems
+
Productivity & Cost control

+4-7% average organic growth in our adjusted EBITA over the next 3 years

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