

For a more decarbonized energy

Integrated report 2015-2016

Life Is On | Schneider Electric

Sustainability: a growth pillar for the company

Sustainability at the heart of our business strategy

The vision of Schneider Electric, the global specialist in energy management and automation, is to help its customers achieve more with less resources.

A structured and consistent sustainability strategy to meet the energy challenge

Our societal project: Act to keep global warming below the 2 °C limit and to reduce the energy gap, with ethics and responsibility.

At the strategic level: integrated into the company program

Sustainability in the "Innovate" initiative

Objective: be a partner of choice in sustainability in our innovations and our operations.

5 sustainability megatrends 2015 – 2020

Climate, circular economy, ethics, health & equity, and development.

16 sustainability progress plans 2015 – 2017

The Planet & Society barometer is a KPI of Schneider Is On dashboard.

At the communication level: integrated and reliable processes

The Planet & Society barometer, commented on by the CFO and the CEO

Non-financial quarterly results are presented together with financial information to institutional investors.

Audited non-financial results

Non-financial information, including barometer's indicators, receive limited or reasonable assurance.

An integrated approach for SUSTAINABILITY

Schneider Electric integrates sustainability into its overall performance and its decision making and execution processes.

At the operational level: integrated governance involving every level

Board of directors

The HR & CSR Committee approves the sustainability strategy, and analyzes policies and practices.

Executive committee

The Sustainability Executive Committee challenges, aligns with strategy and decides.

Corporate functions and businesses, specific committees, employees

They contribute to the sustainability objectives (Planet & Society barometer, CSR criteria in variable compensation) and mobilization programs.

In this document, discover our integrated approach through our different stakeholders:

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We create VALUE FOR all our STAKEHOLDERS



Gilles Vermot Desroches
Senior Vice President,
Sustainability
Schneider Electric

Sustainability decisions are fully integrated into the development and implementation of the company's strategy. From the processes to the bodies involved, from the Board of Directors to employees, sustainability has an essential seat at the table.

Our world is changing rapidly. Schneider Electric's strategy is to drive meaningful innovation in the face of several megatrends:

• Over the next 30 years as urbanization skyrockets, cities worldwide will swell by 2.5 billion residents, the highest growth since the beginning of mankind;

• After having connected 3 billion people, within 4 years the Internet will connect 50 billion machines and tools;

• Falling prices of solar panels and batteries and the supply of technologies for intelligent control of supply and demand will help us to think differently about access to electricity and, in general, about the ability of everyone to become a producer and a consumer.

The company leverages these opportunities to be a player that actively contributes to building a low-carbon world that respects the 2-degree trajectory — or even less. This commitment inspired the company's engagement in COP21 and COP22. These opportunities could not nurture the strategy of the company without its proactive and longstanding policy of engagement in sustainability and its related governance, environmental, social and societal stakes. In this way, we integrated sustainability reporting as soon as 2005 with the launch of our first Planet & Society barometer, the quarterly dashboard of our sustainability performance. The 2015-2017 barometer is our fourth. If measurement is necessary for the understanding and the reduction of energy and resource consumption, the same is true for sustainability challenges. We therefore publish this accurate, global measurement quarter after quarter to manage and drive progress.

We create value and we share it around the world for all our stakeholders, whether they are our customers and partners, civil society, the financial community, social organizations, institutional and technical bodies, or, of course, our employees. We have engaged a permanent and ongoing dialogue with them for many years through a partnership policy and by addressing sustainable development topics they deemed important in a materiality matrix. We spark engagement and encourage ongoing dialogue by publishing our Planet & Society barometer results quarterly and sharing the annual distribution breakdown of our revenue. Our stakeholders' comments, ratings, and assessments matter to us. We take into account their essential input to build and develop our new progress plans. Their voice is crucial.

Sustainability decisions are fully integrated into the development and implementation of the company's strategy. From the processes to the bodies involved, sustainability has an essential seat at the table. From the Board of Directors to employees, internal stakeholders advance the company's sustainable development efforts.

Today, we are going further by shedding even greater light on our sustainability performance. Our new integrated report presents a global vision of Schneider Electric in its ecosystem, our strategy for creating shared value, and our business model and governance. This report includes numerous performance indicators. It broadens the company's transparency.

This new challenge aligns to our willingness to make sustainability the axis of our future.

1998
Creation of the Schneider Electric Foundation

2002
Creation of the Sustainability Department

2005
First Planet & Society barometer to measure our progress

2011
CSR criteria in executives' compensation

2016
First integrated report

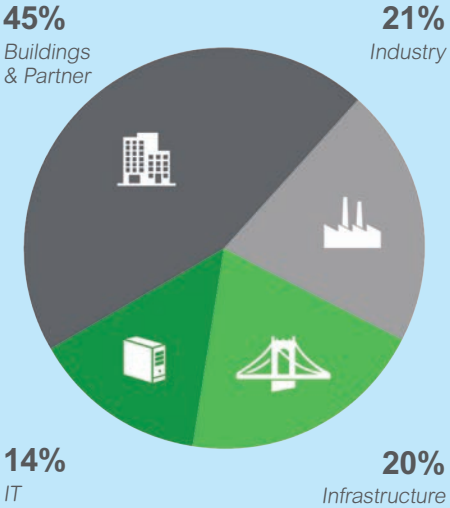
Profile of the Group

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.

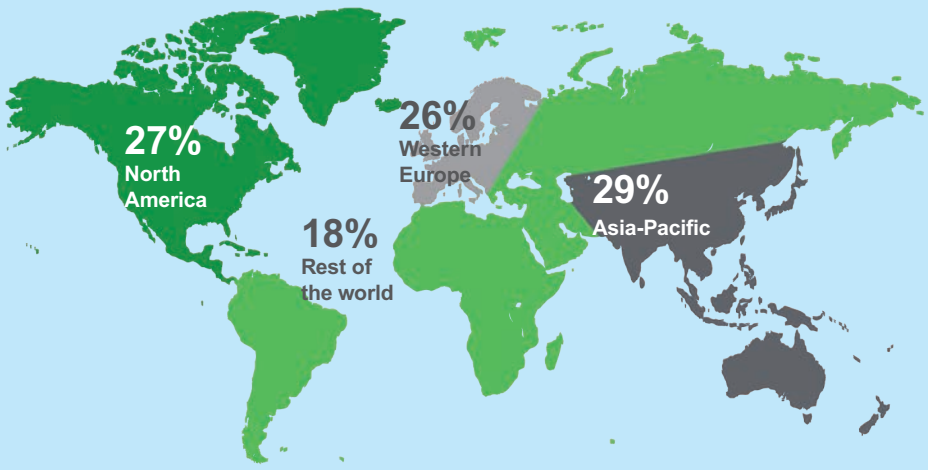
2015 KEY FIGURES

€26.6 billion revenues	**€3.6 billion** adjusted EBITA	**~5%** of revenues devoted to **R&D**
~160,000 employees in over 100 countries	**43%** of revenues in new economies	
30% of our employees are **women**	**43%** of revenues as solutions	**220** plants and **100** distribution centers around the world

Four integrated and synergetic businesses



Balanced geographies, revenues 2015



Market trends creating opportunities

Urbanization, industrialization and digitization are creating many new opportunities for Schneider Electric: from the growing needs in terms of automation and connectivity to the massive entitlement of energy efficiency that requires an optimized use of resources.

Urbanization: +2.5 billion people in cities by 2050 (Source: United Nations, DESA)



TREND	Cities today are the home to 50% of the world's population, consume 75% of global energy consumption and give off 80% of greenhouse gas emissions. Cities are growing: by 2050, cities will host an additional 2.5 billion people.
CHALLENGES FOR OUR CUSTOMERS	Cities face urban challenges of unprecedented scale: • scarcity of resources such as energy and water; • environmental pressure and pollution; • aging and overloaded infrastructure; • traffic congestion and security concerns.
OPPORTUNITIES FOR SCHNEIDER ELECTRIC	What cities need today are solutions that: • deliver the services and savings that constituents deserve (integrated services for security, mobility, weather forecasting, management of energy, water and waste, etc.); • provide visible, measurable results that promote attractiveness; • have a low upfront investment and balance their budgets (cost-effective solutions).

Industrialization: +50% energy consumption by 2050 (Source: IEA)



TREND	Industrialization is driven by the increase in the number of factories in new economies, by higher demand for goods, and by efficiency improvements as well as retrofit in mature countries. This global industrial energy use is projected to double by 2050 in the absence of any new environmental measures.
CHALLENGES FOR OUR CUSTOMERS	Industries have a major impact on energy and environmental challenges: • increase in total world energy consumption, given that industries account today for one-third of it; • increase in associated greenhouse gas emissions.
OPPORTUNITIES FOR SCHNEIDER ELECTRIC	Industries need innovative solutions and further services to: • support long-term sustainable development in new economies, and meet their growing needs in energy; • achieve efficiency gains and proceed with facility upgrades in mature countries.

Digitization: 50 billion connected things by 2020 (Source: Cisco)



TREND

In the past twenty years, the Internet has connected 3.2 billion people together. In the coming ten years, this number will double.
Additionally the Internet will connect 50 billion devices over the next five years.

CHALLENGES FOR OUR CUSTOMERS

The increase in connectivity and access to realtime information is changing our personal and professional lives:

- digitization of operations;
- online information (e-training, digital customer service centers, e-ordering);
- online platforms and tools to collaborate more efficiently.

OPPORTUNITIES FOR SCHNEIDER ELECTRIC

Customers expect:

- products with open interfaces and functionality meeting mobile devices;
- an active implementation of energy efficiency through new business models in smart products, systems and services.

Find out more:
Registration document 2015
Chapter 1 – Section 1.2

The impact on our markets: Our world will be more…

- **Electric:** By 2040, electricity demand will grow 2X faster compared to energy demand. 3X 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' lives easier, increase productivity, create new business models that provide new value propositions for their own customers.
- **Decarbonized:** 50% of new capacity additions will be in renewables by 2030. 82% of the economic potential of energy efficiency in buildings, and more than half in industry, remains untapped.
- **Decentralized:** The costs of both solar and storage have been dropping by a factor of five in the past few years. Microgrids and distributed energy resources – small-scale renewable energy sources and energy storage – allow consumers to produce their own energy and shift to a greener energy mix.



Find out more:
http://vivreen2030.schneider-electric.fr/en-gb/

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.

Leveraging market opportunities

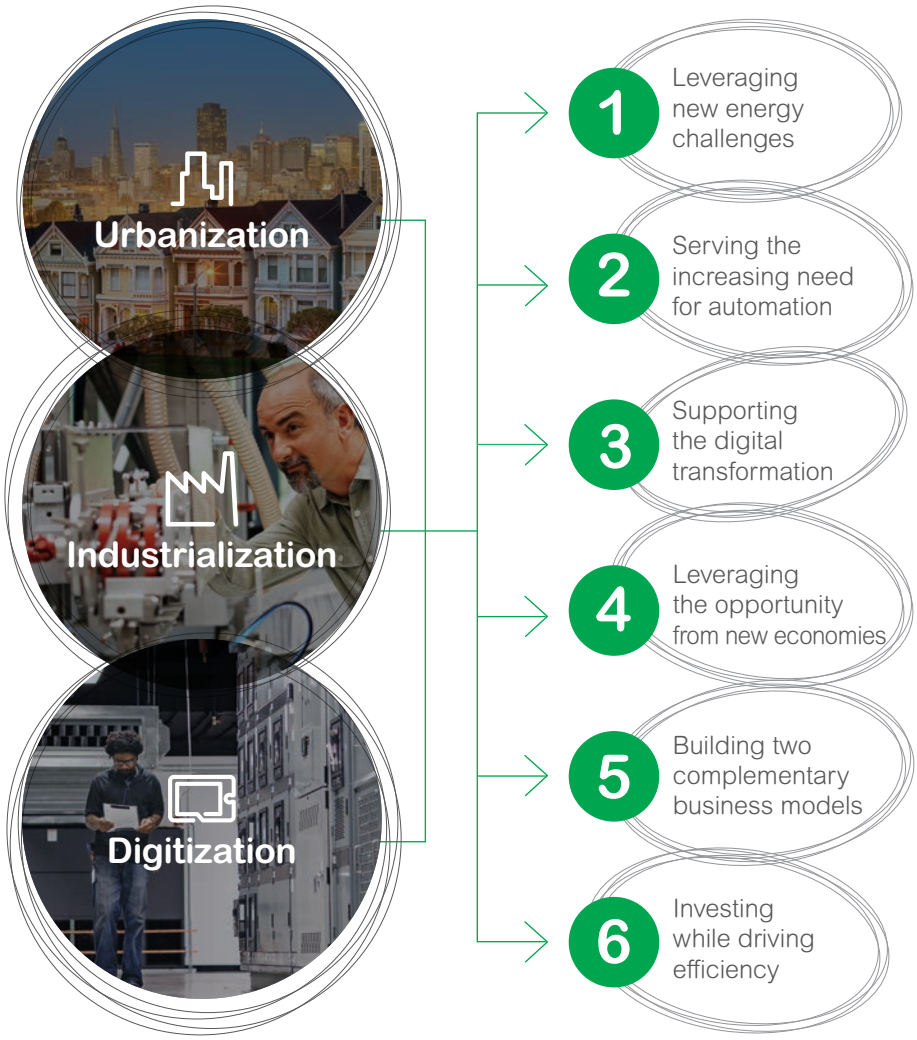
1 We strive to answer the world's new energy challenges by **boosting energy efficiency everywhere:** in our homes, buildings and cities, industry, the grid, and throughout remote communities.

2 We serve **the increasing need for automation** as a proven way to help customers thrive. Customers have asked for improved productivity, precision, and efficiency. We're answering them.

3 We pledge **to support the digital transformation** of customers and partners through continuous innovations in converged technologies to increase productivity, facilitate new business models, and make life easier all around.

4 We are expanding our presence in **new economies** to leverage opportunities to respond to ever-growing energy, infrastructure, and industrialization needs through dedicated offers.

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



6 We **care about profit but only within the context of responsible,** sustainable growth that nurtures concrete efficiency improvements based on our trusted research and development.

Find out more:
Registration document 2015
Chapter 1 – Section 1.3

An integrated offer and leadership positions in our businesses

As the global specialist in energy management and automation, our mission is to make sure that Life is On for everyone, everywhere and at every moment with our technology. Schneider Electric proposes an integrated offer of technologies and market-leading solutions tailored to customer needs, supporting a more decarbonized, digitized, decentralized and electric energy.



Our expertise

Energy management

- Electrical distribution and transformation
- Measurement and control of energy consumption and quality
- Securing of energy

Automation

- Utility management (lighting, air conditioning, heating)
- Automation, control and supervision of processes
- Control and supervision of machines
- Decentralized management of sites

Software

- Creation and management of smart grids
- Digitization of operations

Find out more:
Registration document 2015
Chapter 1 – Sections 2.1 and 2.2

Our end-markets

34% Buildings	27% Industries	25% Infrastructures	14% Data centers
Non-residential (public, commercial and industrial) and residential buildings	**Industries and machine manufacturers market**	**Utilities and infrastructure market**	**Secure, precision-cooled sites processing and storing very large quantities of digital data**

Weight of each expertise per market



Energy management Automation Software



Our products and solutions

45% Buildings & Partner

Low Voltage – N°1 worldwide
• Low voltage electrical distribution products and solutions

Building Automation – N°1 worldwide
• Comfort and energy efficiency in buildings

21% Industry

Discrete Industrial Automation – N°2 worldwide
• Comprehensive products and solutions for the automation and control of machines, manufacturing plants and industrial sites

Process Automation – N°4 worldwide
• Distributed control, instrumentation and safety systems
• Industrial software offer for manufacturing operations management, modeling/simulation and asset management

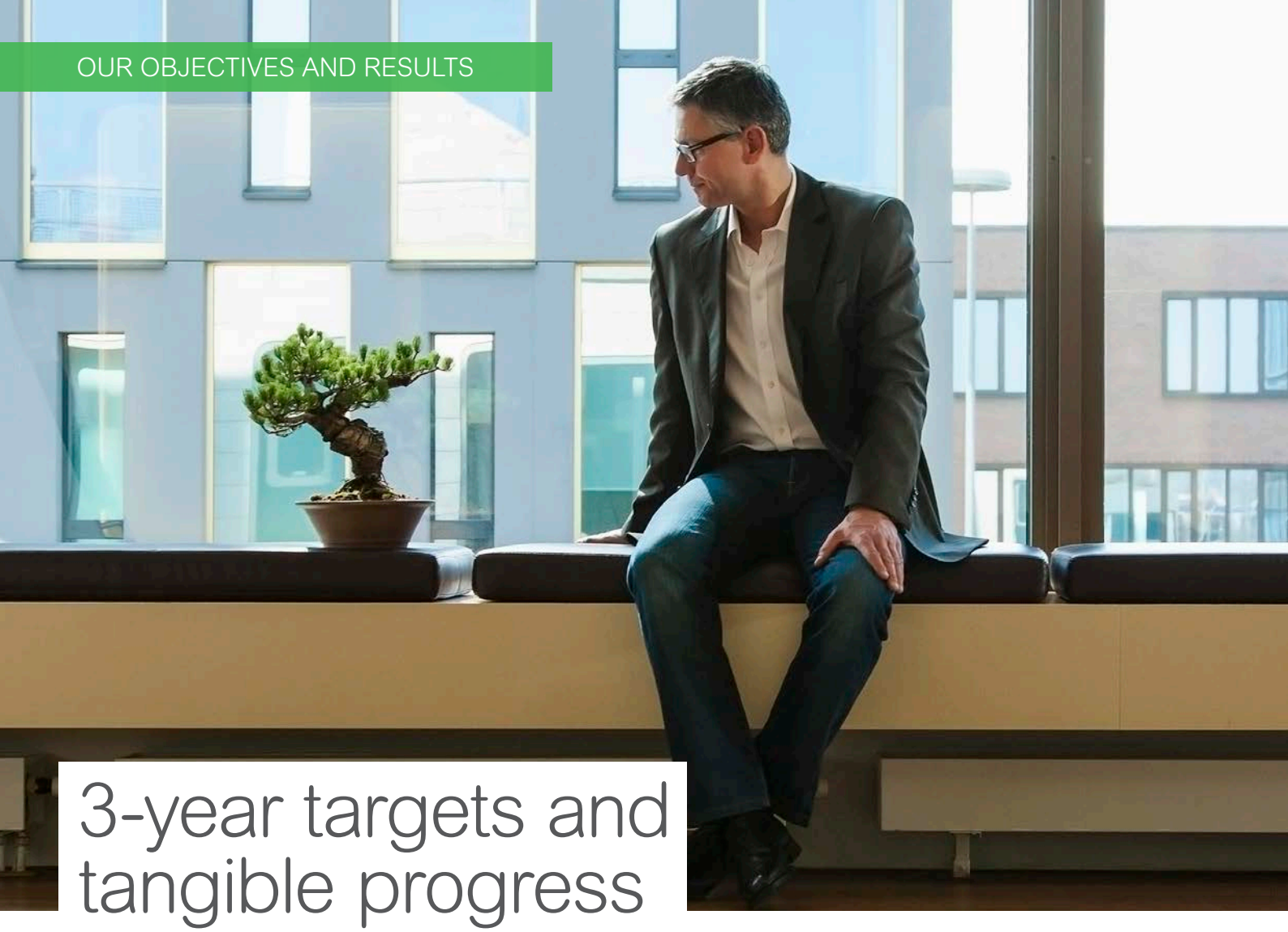
20% Infrastructure

Medium Voltage – N°1 worldwide
• Low voltage electrical distribution products and solutions

Grid Automation – N°1 worldwide
• Electrical network protection and automation solutions
• Software for the integrated management of mission-critical infrastructure (distribution management, traffic, etc.)

14% IT

Critical Power & Cooling – N°1 worldwide
• Critical power products and solutions ensuring power continuity and quality



3-year targets and tangible progress

Schneider Electric is committed to green and responsible growth, driving economic performance. We deliver record high revenues and profit in 2015, demonstrating the robustness of our business model based on the largest worldwide network of partners further enhanced by our balanced exposure to both end-markets and geographies. Moreover this illustrates our capability to quickly adapt to a volatile and challenging environment.

***Schneider is On*, Schneider Electric's company program for the 2015-2020 period, is another major step in the ongoing deployment of the Group's strategy. It is structured around five initiatives:**

DO MORE

Do more for the customers to create more opportunities for them, and for Schneider Electric, bringing a better intimacy and an access to specialists, a consistent project execution and a unique and flexible delivery experience;

SIMPLIFY

Simplify work and operations to make the company leaner, further increase supply-chain productivity, optimize R&D efficiency, sales force efficiency, and solution execution;

DIGITIZE

Propose more connected offers, enabling new services and improving customers' lives through an end-to-end simple and intuitive customer experience;

INNOVATE

Innovate to support growth, focusing on delivering the right products and solutions to customers in a focused and short timeframe, and being a partner of choice in sustainability;

STEP UP

Step Up employees through stronger collaboration, enhanced training and a culture of high performance while continuing to have a strong engagement for diversity and workspace satisfaction.

Objectives of the company program

Initiatives	KPI and Objectives 2015-2017	Related stakes		2015 results
Growth in service, software and products	Services organic growth	DO MORE	1 2 3 4 5 6	~+7%
Project execution	Project hit rate, gross margin	DO MORE	5 6	Project hit rate and gross margin at booking improved; gross margin deviation between booking and during execution reduced
Industrial productivity	~ €1 billion of industrial productivity	SIMPLIFY	1 3 4 6	~ €0.36 billion
Support Function Costs	~ €0.4-0.5 billion gross [1] SFC savings	SIMPLIFY	2 3 6	~ €0.3 billion, target upgraded to €0.6 billion
Development of connected offers	Number of connected assets	DIGITIZE	1 2 3 5 6	+45%
Growth by innovation	Delivering the right products and solutions for customers in a focused and short timeframe	INNOVATE	1 2 3 4 5 6	New offer launches aligned with our value proposition
Partner & investment of choice in sustainability	8/10 achieved by the Planet & Society barometer	INNOVATE	1 4 6	6.33/10
Employee engagement	64% scored in the Employee Engagement Index	STEP UP	1 2 3 4 5 6	61%
Gender pay equity	85% of employees in countries with Schneider gender pay equity plan	STEP UP	1 2 3 4 5 6	57%

(1) Before inflation and reinvestment.
1 2 3 4 5 6 The six axes of Schneider Electric's strategy, refer to page 5.

Find out more:
Registration document 2015 Chapter 1 – Section 4.4

Focus on our financial objectives

Initiatives	KPI and Objectives across the economic cycle	Related stakes	2015 results
Average organic revenue growth	3 to 6% across the cycle	Performance	-1.0%
Adjusted EBITA	Margin between 13% and 17% of revenues	Performance	13.7%
Cash conversion	~ 100% of net profit converted into free cash flow	Performance	113%
ROCE	Between 11% and 15%	Capital allocation	11%
Dividend	Payout c.50% of net income	Capital allocation	~ 50%
Capital structure	Retain a strong investment grade credit rating	Capital allocation	A-

Find out more:
Registration document 2015 Chapter 1 – Section 3

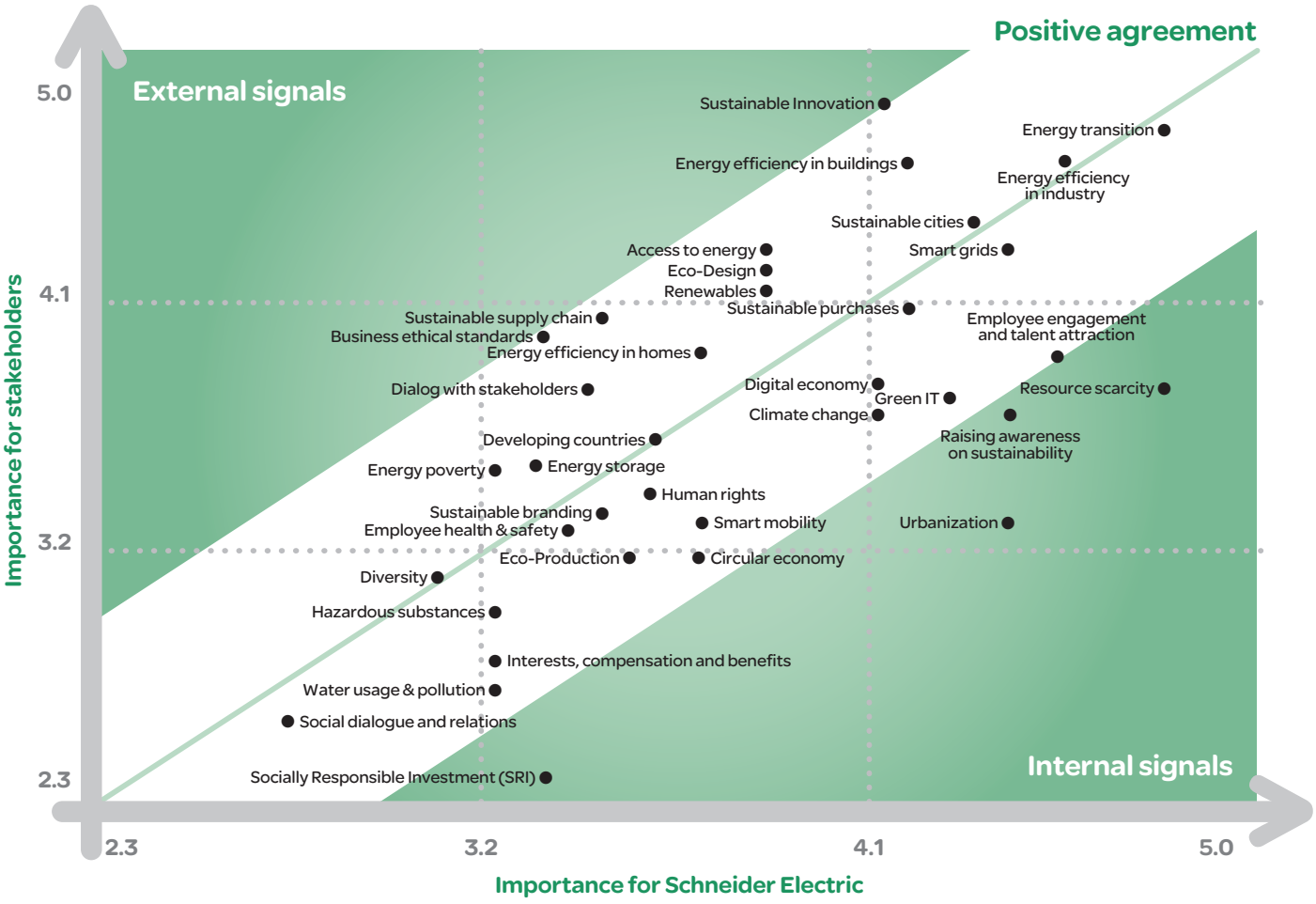


Focus on our non-financial objectives

Our Planet & Society barometer has been Schneider Electric's sustainability scorecard since 2005. It presents the Group sustainable development objectives for three years and the quarterly results of the key performance indicators. At the end of 2015, it attained 6.33/10, while the goal is 8/10 by the end of 2017.

In 2013, Schneider Electric conducted a materiality analysis to report against the most important economic, social and environmental issues, identify current and future opportunities and risks for the business, and update its sustainability agenda with the key stakeholders' expectations.

Find out more:
schneider-electric.com – « Sustainability performance » Section



PLANET

Initiatives	KPI and Objectives 2015-2017	Related stakes	2015 results
Climate	10% energy savings	Energy transition, climate change, eco-production	4.5%
	10% CO_2 savings from transportation	Energy transition, climate change	8.4%
Circular economy	Toward zero waste to landfill for 100 industrial sites (34 beginning of 2015)	Circular economy, eco-design, resource scarcity, eco-production	64 sites
	100% of products in R&D designed with Schneider Electric ecoDesign Way™	Circular economy, eco-design, resource scarcity, sustainable innovation	13.3%

PROFIT

Initiatives	KPI and Objectives 2015-2017	Related stakes	2015 results
Sustainability offers	75% of product revenue with Green Premium ecoLabel™ (60.5% beginning of 2015)	Eco-design, hazardous substances, circular economy	67.1%
	100% of new large customer projects with CO_2 impact quantification	Energy transition, climate change, energy efficiency in industry and buildings, sustainable cities, smart grids, green IT	Indicator reported from 2016
	120,000 tons of CO_2 avoided through maintenance, retrofit, and end-of-life services	Circular economy, energy transition, climate change	44,777
	x5 turnover of Access to Energy program to promote development	Access to energy, developing countries, human rights	x2.07
Ethics	100% of our recommended suppliers embrace ISO 26000 guidelines (48% beginning of 2015)	Sustainable purchases, sustainable supply chain	64.7%
	All our entities pass our internal Ethics & Responsibility assessment	Business ethical standards	88%

PEOPLE

Initiatives	KPI and Objectives 2015-2017	Related stakes	2015 results
Health & Equity	30% reduction in the Medical Incident Rate (MIR)	Employee health & safety	17%
	One-day training for every employee every year (79% beginning of 2015)	Employee engagement and talent attraction	85.6%
	64% scored in our Employee Engagement Index (61% beginning of 2015)	Employee engagement and talent attraction	61%
	85% of employees work in countries with Schneider gender pay equity plan	Interests, compensation and benefits, diversity, employee engagement and talent attraction	57%
Development	150,000 underprivileged people trained in energy management (73,339 beginning of 2015)	Access to energy, developing countries, fuel poverty, human rights	102,884
	1,300 missions within Schneider Electric Teachers NGO (460 beginning of 2015)	Access to energy, developing countries, fuel poverty, raising awareness on sustainability	878

All the indicators are audited annually by an external party with a limited or reasonable assurance.

Find out more:
Registration document 2015 Chapter 2 – Section 6.1

10 Commitments

to a sustainable future from Schneider Electric

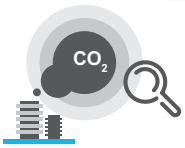
On the eve of the Paris Climate Change Conference (COP21), Schneider Electric presented its 10 commitments for sustainability. In accordance with the Planet & Society barometer, these commitments contribute to the United Nations Sustainable Development Goals and support the objective to make the Group sites and its ecosystem carbon neutral by 2030.

COP21 · CMP11 PARIS 2015 UN CLIMATE CHANGE CONFERENCE



In our products and solutions portfolio:

1



100%

Ensure **CO_2 impact quantification for 100% of new large customer projects** (2015-2017).

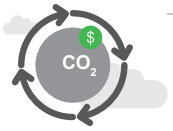
2

75%



Design 100% of new offers with Schneider Electric ecoDesign Way™ solutions (including CO_2 profiling) and realize **75% of product revenue** with Green Premium™ ecoLabel (with full digitized CO_2 information) (2015-2017).

3



120,000T

Avoid **120,000 tons of CO_2** through **circular economy "end-of-life" services** (2015-2017).

4

50M



Facilitate access to lighting and communication with **low-carbon solutions for 50 million inhabitants from base of pyramid in 10 years** (2015-2025).

5



Implement **storage initiatives** to develop renewable energy and mini grids (from 2015).

6

5 years



Propose alternatives to SF_6 in 5 years and **eliminate SF_6 from Schneider Electric products in 10 years** (2015-2020 and 2015-2025).

In our product conception and supply chain:

7

3.5%

Reduce **our energy intensity by 3.5% per annum** (from 2015).



8



3.5%

Reduce our **transportation CO_2 emissions by 3.5% per annum** (from 2015).

9

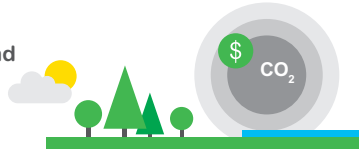


€10B

Invest **€10B in R&D innovation for sustainability** in the next 10 years (2015-2025).

10

Issue a **climate bond** to finance low CO_2 R&D across our business units (issued at the end of 2015).



The barometer's indicators are notified in green.

Life Is On Schneider Electric

Creating shared value with our stakeholders

Our role is to make sure that Life Is On for everyone, everywhere, at every moment: the value created for each of our stakeholders helps to create value for our Group, combining economic, financial and non-financial performance. As such, sustainability is at the heart of our company strategy. At Schneider Electric, we are convinced that better climate means better economy.

Annually for the last 10 years, Schneider Electric has published a diagram to show its revenue distribution. This exercise allows us to highlight the importance of each stakeholder from the point of view of financial flows by showing their share in these flows.



REVENUE BREAKDOWN

2015 Total Revenue
€26,640 million

- Non-governmental Organizations: donations €11 million
- Shareholders: dividends €1,108 million
- States: income taxes €389 million
- Banks: net interest expenses €295 million
- Employees: wages €6,870 million
- Suppliers: purchases & other €16,243 million

Investment Capabilities

Net External Financing* Including Share Capital Variation	Operating Cash Flow after Dividend Payment
(€720) million	€1,724 million

- Investments & Development €787 million[1]
- Net Financial Investments (€296) million[2]
- Cash Variation €513 million

R&D
€1,272 million

Borrowings, share issues, and sale of treasury stock

[1] Including €373 million in R&D

[2] Including €155 million for long-term pension assets

Revenue distribution to our stakeholders — Investments

1 CUSTOMERS

Our mission is to serve our customers by developing innovative products and solutions that simplify the lives of those who use them. We bring together our expertise and solutions to drive new possibilities for efficiency and savings. We are committed to worldwide improvement in connectivity, sustainability, efficiency, reliability and safety in five primary areas: our homes, our cities, our industries, our buildings, and the cloud.

COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC

VALUE CREATED FOR CUSTOMERS

- **Safe energy:** people and assets protected
- **Reliable energy:** ultra-secure, ultra-pure and uninterrupted power guaranteed, especially for critical applications
- **Efficient energy:** solutions adapted to the specific needs of each market that simplify customers' lives and improve their efficiency and productivity
- **Sustainable energy:** less resources used and a minimized impact on the environment
- **Connected energy:** new opportunities with the convergence of Operational Technology (OT) and Information Technology (IT)
- Transparency of ad hoc environmental information on products with Green Premium ecoLabel
- Online diagnostics and support services (an e-catalogue, downloadable software and online information and training).

VALUE CREATED FOR SCHNEIDER ELECTRIC

- 80% of revenue derived from sales in businesses where Schneider Electric enjoys a n°1 or n°2 market position: low voltage distribution, medium voltage distribution and grid automation, discrete industrial automation and control, critical power and cooling
- Very high quality standards
- Sustainable innovation capacity
- Eco-design, eco-production and optimized management of resources (water, renewable energy, hazardous substances, etc.) that are sources of operational efficiency and cost optimization

KEY FACTS 2015

- Gartner® Magic Quadrant for Data Center Infrastructure Management
- Gartner® Magic Quadrant for Advanced Distribution Management Systems
- DatacenterDynamics Leaders' Award
- Spirit of Partnership Award
- Leader in building energy management software
- Partnership with Cummins Inc. to promote technical training and expand access to clean and affordable energy for all
- Advanced level according to the EcoVadis assessment
- 67% of product revenue with offers labeled Green Premium
- 5% of revenue invested in R&D (annually)

Issues of the matrix: energy transition; energy efficiency in industry, in buildings, and in homes; sustainable cities; smart grids; sustainable innovation; eco-design; eco-production; renewables; energy storage; digital economy; green IT; climate change; urbanization; smart mobility.

Find out more:
Registration document 2015
Chapter 1 – Section 2





2 CIVIL SOCIETY

In new economies, we favor solutions that provide clean and reliable energy to the 1.1 billion people who lack access to electricity. In mature economies, we address the hundreds of millions of people living in fuel poverty. Schneider Electric has always been committed to playing an active role in the economic development of the communities where it is present.

COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC

VALUE CREATED FOR CIVIL SOCIETY

- Design and delivery of electrical distribution solutions for underprivileged populations
- Response to the villages' energy needs to support sustainable economic and social activity
- Vocational training in the energy trades for underprivileged populations
- Inclusion of local people in the implementation of projects to ensure sustainability
- Societal programs and partnerships with local NGOs
- Support of employee projects to create or take over businesses
- Support of young people from underprivileged areas entering the workforce
- Training to help reduce local skills shortage

VALUE CREATED FOR SCHNEIDER ELECTRIC

- Good local footprint and acceptability
- Opening of the customer base and users of the Group's products
- Diversity and talent attraction
- Development of employee skills
- Increase in employee engagement and loyalty
- Innovation capacity – including social innovation – and development of new business models

KEY FACTS 2015

- x 2.07 on Access to Energy program turnover (v.s. 2014)
- 29,545 underprivileged people trained in energy management in 2015
- Creation of the Energy Access Ventures Fund, to promote sustainable access to energy in Sub-Saharan Africa, with a budget of EUR54.5 million
- 6,000 « Sustainability Fellows » at the end of 2015
- 418 missions within the Schneider Electric Teachers NGO in 2015
- Call for projects « Social innovation to tackle fuel poverty » in six European countries as part of the partnership between Ashoka and the Schneider Electric Foundation, mentoring of the 14 winners
- Signature of a partnership with WWF on fuel poverty
- Renewal of a cooperation frame agreement with the French Ministry of Labor, Employment, Professional Training and Social Dialogue
- EUR11.5 million budget in 2015 for the Foundation's actions

Issues of the matrix: access to energy; fuel poverty; developing countries; dialog with stakeholders; human rights; raising awareness on sustainability.

Find out more:
Registration document 2015
Chapter 2 – Section 5

3 EMPLOYEES

Schneider Electric's people are critical to its success. Its ultimate ambition is to generate higher performance and employee engagement, through world-class people practices that are supported by a global/local and scalable model. When our customers come to us, we want to provide them with the best professionals in their field, able to understand their needs.

COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC

VALUE CREATED FOR EMPLOYEES

- Inclusive culture where all forms of diversity are considered as a real value for the company
- Benefits as an essential component of the Group's reward offering
- Assistance in professional and skill development, through the establishment of a training culture
- Compensation system based on a pay-for-performance principle, competitive market positioning and scarcity of skills
- Significant commitment on pay equity between women and men for 2017
- Support and standardization of HR and reward programs to promote development and mobility between our various activities and geographies
- Ambassadors of the Group and its commitment to sustainability

VALUE CREATED FOR SCHNEIDER ELECTRIC

- Strengthened performance and innovation through diversity and engagement
- Enhancement of the Employer Value Proposition attractiveness
- Recruitment and retention of best talent
- Strong corporate culture with the *Schneider is On* program, including common goals to progress together, put the customer at the heart of the organization and act sustainably

KEY FACTS 2015

- Schneider Electric designated by Universum as one of the most attractive employers in the world
- International Learning Week
- Leadership Award 2015 received by our CEO Jean-Pascal Tricoire at UN headquarters for the Group's action in favor of gender equality, as part of the United Nation's Women's Empowerment Principles (WEP) and the Global Compact
- OneVoice satisfaction and engagement survey twice a year
- Schneider Electric selected by UN Women as one of 10 companies in the HeForShe IMPACT 10x10x10 program
- Campaign around the Employer Value Proposition to answer the question « Who is Schneider Electric? »
- Launch of the international Well-being program
- Frequency rate of accidents at 0.92 per million hours worked
- Signature by 15,900 managers of the letter of acknowledgment to comply with and promote *Our Principles of Responsibility*





Issues of the matrix: employee engagement and talent attraction; employee health & safety; interests, compensation and benefits; social dialogue and relations; diversity; raising awareness on sustainability; business ethical standards.

Find out more:
Registration document 2015
Chapter 2 – Section 4

4 PARTNERS

Success in the industrial field requires strong, long-term relationships with our distribution partners and end customers. We are therefore constantly seeking to enhance the value that we add. Developing long-term relationships with our suppliers is just as important as the development of sustainability. We believe that we cannot succeed without the others. This vision is key to allow sustainable progress.

COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC

VALUE CREATED FOR PARTNERS

- Development of strategic and sustainable partnerships to build innovative offers
- New opportunities for distributors and direct partners in a win-win relationship
- Collaborative way of working
- Training on regulations and safety
- Improved supplier performance in terms of sustainability according to ISO 26000

VALUE CREATED FOR SCHNEIDER ELECTRIC

- Reputation as a trusted partner and strong lever for action on prices
- Widest network of distribution and direct partners in our industry, providing us with many access channels to a market comprised of a broad and diffuse user base
- Multiple market access channels supporting our model with limited capital investment, and helping to ensure that we are not dependent on a small number of large customers

KEY FACTS 2015

- Memorandum of Understanding with Autodesk, paving the way for enhancement of current practices for building lifecycle management based on Building Information Modeling (BIM)
- Inauguration with Neoen, one of the leading French players in renewable energies, of Europe's largest photovoltaic farm, located in Cestas (near Bordeaux, France) with a total peak capacity of 300 MW
- 550 audits conducted on site to select new suppliers, sustainability criteria accounting for nearly 15% in the evaluation
- « Responsible Supplier Relations » label





Issues of the matrix: sustainable innovation; eco-design; eco-production; sustainable supply chain; business ethical standards; sustainable purchases; circular economy.

Find out more:
Registration document 2015
Chapter 1 – Section 2.4 and Chapter 2 – Section 2.3

5 FINANCIERS



Our priority for the future is the growth of our revenue, the improvement of our margins and our return on capital employed, as well as strong growth in earnings per share.

We are committed to maintaining a close relationship with our shareholders.

COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC

- Progressive dividend policy
- Share buyback on 2015-2016
- Transparent communication system with our shareholders and investors
- Complementary acquisitions on our most profitable core businesses depending on opportunities
- Sale of non-strategic activities
- Issuance of a EUR300 million Climate Bond dedicated to financing low-carbon innovation programs

VALUE CREATED FOR FINANCIERS



Shareholders' Advisory Committee, the collective voice of our individual shareholders

VALUE CREATED FOR SCHNEIDER ELECTRIC

- Acquisitions and strategic alliances likely to strengthen our global leadership, to provide us with expertise in the field of energy management and automation or locally in new economies
- Fidelity and active participation of individual shareholders
- Improved financial profile of the Group helping to improve the attractiveness of the share
- Diversified and stable capital structure
- Access to preferred financing conditions for a long-term development

KEY FACTS 2015

- Record sales worth EUR26.6 billion
- Successful integration of Invensys
- Sale of Juno Lighting to Acuity Brands and of our Transportation business to Kapsch TrafficCom AG
- Record dividend of EUR2 per share, an increase of 4%
- Member of the CDP « A List » and maximum score of 100/100
- Launch of EMTN (Euro Medium Term Note) bond issues
- 1st in our sector in the Dow Jones Sustainability World and Europe for the third consecutive year, Industry mover (greatest progress in our sector)
- Member of the Euronext Vigeo World, Europe and France indexes (1st in our sector)
- Prime level in Oekom (1st in our sector) and Outperformer in Sustainalytics
- 8 meetings with individual shareholders in 2015: Shareholder meetings, visits of the showroom, visit of a production site, « Investir Day », Schneider Electric Paris Marathon, and Annual General Meeting

Issues of the matrix: Socially Responsible Investment (SRI); dialog with stakeholders; sustainable branding; capital efficiency.

Find out more:
schneider-electric.com – « Investor Relations » Section Financial results 2015



6 INSTITUTIONS and TECHNICAL BODIES

Schneider Electric works with different local and international organizations and associations on economic, social and environmental issues to foster sustainable development in cooperation with various players from society, and – at the sectoral level – with technical bodies.

COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC

VALUE CREATED FOR INSTITUTIONS AND TECHNICAL BODIES

- Active participation in the public debate and the evolution of international and national frameworks
- Active participation in standardization bodies
- Training and participation in industry efforts to improve regulations and security clearances
- Contribution to scientific research
- Involvement in academic chairs and business associations

VALUE CREATED FOR SCHNEIDER ELECTRIC

- Strengthening of our reputation
- Evolution of the regulatory framework to encourage energy efficiency
- Creation and participation in clusters
- Increased awareness among employees and partners of global issues related to climate change
- Relations with public authorities, lawmakers and the European Commission

KEY FACTS 2015



- Cumulative investments of around EUR65 million in Singapore over the next few years to establish a Software Solutions Center and a Software Regional Hub
- Appointment to the Steering Committee of the Industrial Internet Consortium (IIC)
- Signatory of the Global Compact since 2002, Advanced level, Jean-Pascal Tricoire as Chairman of the Global Compact France since 2013
- Multi-year collaboration with the HKUST-MIT Research Alliance Consortium
- Member of the World Business Council for Sustainable Development (WBCSD): numerous works on smart cities and access to energy
- 20,000+ patents active or in application
- PEP ecopassport program

Issues of the matrix: dialog with stakeholders; sustainable branding; sustainable innovation; smart mobility; energy efficiency in industry, in buildings, and in homes; smart grids; sustainable cities; climate change; energy transition; digital economy.

Find out more:
Registration document 2015 Chapter 2 – Section 1.3



7 PLANET

Schneider Electric is committed to green growth and to acting in line with the principles of sustainability in respect of current and future generations. The Group is particularly committed to integrating environmental protection in its strategic decisions, including engaging in design, production, distribution and recycling processes; and to bringing to market products that optimize energy use and natural resources.

COMMITMENTS AND PRIORITIES OF SCHNEIDER ELECTRIC

VALUE CREATED FOR THE PLANET

- Reduction of our carbon footprint and our impact on the planet's resources
- Development of a circular economy
- Integration of environmental considerations throughout the value chain
- Improved energy and environmental performance of our customers
- Support of Aster Capital fund for innovative start-ups specializing in the fields of energy, mobility and the environment



VALUE CREATED FOR SCHNEIDER ELECTRIC

- Eco-design, eco-production and optimized management of resources (water, renewable energy, hazardous substances, etc.) that are sources of operational efficiency and cost optimization
- Improved energy efficiency of our sites
- Optimized number of distribution centers and reduced logistics costs
- Environmental benefits of offers as differentiators

- Additional source of innovation for Schneider Electric R&D Division
- Alternative funding of research programs on energy efficiency

KEY FACTS 2015

- Issuance of a EUR300 million Climate Bond dedicated to financing low-carbon innovation programs
- EUR12 million saved thanks to the CO_2 savings program in transportation
- COP21 commitments of the company and the Foundation towards carbon neutrality in 2030

- Member of the CDP « A List » and maximum score of 100/100
- Start of the methodology for calculating CO_2 savings on our major customer projects
- 10th greenest company in the world according to the Newsweek Green Ranking 2016
- 9th place in the Corporate Knights ranking, Global 100 most sustainable companies in the world
- Most sustainable company of CAC40 according to Enjeux Les Échos and Institut RSE
- Launch of EcoBlade™, a smart and scalable energy storage solution

Issues of the matrix: energy transition; climate change; sustainable cities; sustainable innovation; eco-design; eco-production; green IT; resource scarcity; water usage & pollution; hazardous substances; renewables; energy storage; raising awareness on sustainability; circular economy.

Find out more:
Registration document 2015
Chapter 2 – Sections 2 and 3



Mobilized governance for sustainable growth

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

The board of directors is a collegial body mandated by all shareholders. It defines the corporation's strategy, appoints the executive directors in charge of managing the corporation in line with that strategy, selects the form of organization (separation of the offices of Chairman and Chief executive officer or combination of such offices), monitors the management and secures the quality of information provided to shareholders and to the markets, through the accounts or in connection with major transactions.

It held nine meetings in 2015, with an average duration of six hours and an average attendance rate of 86% – the board of directors has conducted a thorough review of the Group's strategy and the *Schneider is On* company program. It also followed the progress of negotiations with the Aveva company and the implementation of the Group policy on targeted divestments.

Activity of the board and its committees, and role of the independent Lead director

Board of directors

Jean-Pascal Tricoire, Chairman and CEO

Léo Apotheker, independent Lead director
Controls that the corporate governance operates correctly/Participates in the drawing up of board meetings' agenda/Meets the shareholders/Chairs the executive sessions/Pilots the board's self-assessment process

Activity in 2015

- Governance (Board and committees' membership, combination of the offices of Chairman and Chief executive officer, board's self-assessment)
- Group strategy and its implementation, e.g. Aveva project
- Financial statements
- Monitoring of business
- Monitoring and follow-up of risk management
- Assessment and compensation of executive directors
- Succession plan for executive directors

Each committee is composed of directors whose skills are specially identified to match the committee's expectations

Audit and Risk Committee
Activity in 2015

- Review of the financial statements and financial disclosures
- Control of risk management within the framework of a schedule drawn up after the risk mapping review
- Review of specific risks: industrial, purchasing, solutions, technology, etc.
- Follow up of the internal audit and internal control's work
- Review of the auditors' diligences and of their independence, and proposition about their mandates' renewal
- Review of the distribution policy

Governance and Compensation Committee
Activity in 2015

- Composition of the board of directors and its committees
- Compensation of the executive officers
- Removal of their top hat pension (article 39)
- Say on Pay presentation to the Shareholders' Annual Meeting

Human Resources and CSR Committee
Activity in 2015

- Review of compensation policy for executive officers
- Review of Excom members' compensation, performance and succession planning
- Analysis of Worldwide Employee Shareholding Plan's (WESOP) results for 2015 and review of WESOP 2016
- Policy of professional and compensation equality between men and women
- Results of the CSR policy

Joint review of the long term incentive plans

Strategy Committee
Activity in 2015

- Preparation of the board session on strategy
- Study of the Group's competitive landscape
- Review of diligences realized within the Aveva project
- Review of the impact of the macro-economic changes linked to oil price evolution

Annual self-assessment of the board of directors

Schneider Electric's board of directors annually reviews its composition, organization and operations, as well as those of its committees. This self-assessment establishes the performance axes and gives direction for progress.

Results of the board of directors' self-assessment in 2015

BOARD'S STRENGTHS

- Very high transparency of the top and executive management towards the board
- Quality of discussions and openness of debates inside the board
- Mix of skills and expertise and directors' high level of involvement
- Remarkable « *fit* » between board members

LINES OF PROGRESS

- Pursuing the regeneration policy of the board
- Reviewing the links between the Strategy Committee's works and the board's works
- Providing more comprehensive information to the board about the competitive landscape and its evolution

9 meetings in 2015

86% average attendance in 2015

Find out more:
schneider-electric.com
« Governance » Section

KEY FIGURES (AS OF APRIL 25, 2016)

75% share of independent directors*

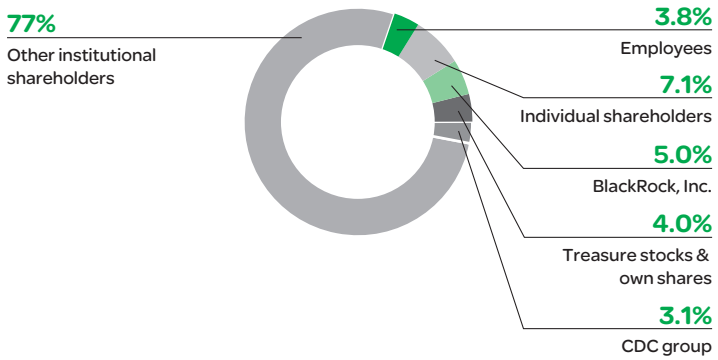
46% share of directors of non-French origin or nationality

38% share of directors who are women

58 average age of directors

** Calculated according to the criteria of the AFEP/MEDEF corporate governance guidelines*

A diversified shareholding distinguished by a strong representation of individual shareholders and employees







Ethics: one of Schneider Electric's cornerstone values

Supported by the highest levels of the company, *Our Principles of Responsibility* are the basis of our commitment and apply to all of our employees and entities worldwide.

The Responsibility & Ethics Dynamics (R&ED) program forms the basis of common references and processes.
We have designed an alert process to guide employees towards the right bodies, ranked in order of priorities:

- Contacting the manager
- Using existing in-house outlets (legal, financial, RH, environment, etc.), or
- Contacting the Group Fraud Committee via the professional alert system accessible via the Internet (R&ED line) or a multilingual telephone line



Find out more:
schneider-electric.com
« Responsibility & Ethics » Section

KEY FACTS

- *Our Principles of Responsibility* translated into 30 languages and communicated to all employees of the Group and accessible on the official website and on the Group's Intranet
- Directives and policies stemming from *Our Principles of Responsibility* (including Gifts and Hospitality, Antitrust and Competition, Agents and Intermediaries, etc.)
- Signature by 15,900 managers of the letter of acknowledgment to comply with and promote *Our Principles of Responsibility*
- Schneider Electric as an active member of Transparency International France
- Anti-corruption compliance certificates issued by Ethic Intelligence for over 50% of Schneider Electric African subsidiaries
- Launch of a new online training module based on the MOOC methodology
- Presence in the Ethisphere 2016 World's Most Ethical Companies index for the 6th consecutive year
- For the 2nd consecutive year in 2015, organization of two days dedicated to ethics and responsibility, the R&ED Days
- Implementation of the Ethics indicator in the Planet & Society barometer 2015-2017: internal « Ethics and Responsibility » assessment succeeded by 88% of the entities
- 242 ethical alerts escalated through the R&ED line system in 2015: 47% were related to potential violations of our code of conduct in the field of business integrity; 35% to potential discrimination, harassment or unfair treatment cases; 18% to potential violations of other Schneider Electric policies

Senior management and employees' compensation: criteria aligned with strategy and sustainability

The compensation policy rewards performance and value creation of each employee. Sustainability performance criteria are therefore integrated to the compensation of our senior management and our employees.

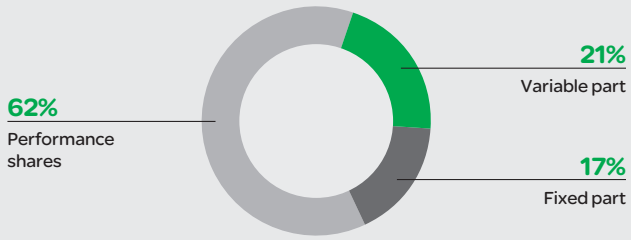
Executive officers' compensation

The general principles of executive officers' compensation policy, and the analysis of their individual situations, are reviewed and approved by the board of directors, upon proposal of the Governance and Compensation Committee.

For executive officers, the criteria are aligned, in particular, with the Group's global strategy, *Schneider is On* company program, and the evolution of the Planet & Society barometer. The compensation policy is based on five pillars:

- organic growth and business development;
- margin increase;
- strong cash flow conversion;
- attractive overall return for shareholders; and
- the mission that Schneider Electric assigned to itself to become a major player of sustainability.

Compensation for 2015 of Mr. Tricoire, Chairman and CEO



A significant weighting of variable parts is given in cash and shares in order to incentivize management on performance.

The compensation policy of executive officers aims at:

- motivating and retaining executive officers in a highly competitive international market;
- adapting the levels of compensation to the Group's results and size*;
- recognizing their individual and collective performance.

** Positioning at the median level of the international market or the third quartile of the national market*

Management and employees' compensation

Schneider Electric is committed to providing a competitive and comprehensive compensation and benefits offering that are cost effective in each market and country in which the Group operates in order to attract, motivate and retain talents. Schneider Electric ensures that all compensation and benefits decisions and policies are based on the principles of fairness, equity and non-discrimination.

Since 2011, sustainability criteria directly linked to the Planet & Society barometer targets, have been incorporated into the personal performance incentives of all Executive Committee members, and by extension, of the main Zone and Country Presidents (20 in 2015).

From 2016, the Planet & Society barometer score has been chosen as one of the criteria for the variable compensation of global functions and leaders of the company.

In addition, specific criteria are reflected in the teams' compensation if relevant and decided. For example, the sustainable purchasing KPI of the Planet & Society barometer is included in the variable part of all Purchasing personnel who receive a bonus.

Since 2011, as part of the annual long-term incentive plan, the final grant of a portion of the performance shares is conditional upon the Planet & Society barometer score.

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.



About this report

Who:

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

What:

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

How:

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

Why:

This report is part of a voluntary process of dialogue and progress in accordance with our Planet & Society barometer which structures the Group's commitments to sustainability since 2005.

When and where:

The report covers the fiscal year 2015 (January 1, 2015 to December 31, 2015) and the Group's entities consolidated in the financial scope. The report is available as of July 2016. It is available in French and in English.

Our other publications



Strategy & sustainability highlights, 2015-2016

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

What
Our actions around our strategy and sustainability: you will find a lively presentation of our organization, illustrated customer stories, internal and external testimonies, and our vision for the coming years.

Why
Open dialogue: our goal is to provide transparent, comprehensive, and succinct information about Schneider Electric, incorporating the concerns of all internal and external stakeholders.



Financial and sustainable development annual report 2015 (Registration document)

Who
Experts, investors, shareholders and national authorities.

What
Information regulated by the French Financial Markets Authority, including the annual financial report, the board of directors' management report, the financial statements, and information relating to sustainability and corporate governance.

Why
Offer a detailed picture of the Group's strategy, its businesses, its governance, its financial results, and its strong commitment to sustainability.

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