Envisioning a sustainable future by solving the energy paradox

Financial and Sustainable Development Annual Report

Registration Document 2016

schneider-electric.com

Life Is On | Schneider Electric

Annual Financial Report elements are clearly identified in this table of contents with the sign AFR
** This section constitutes the Chairman's report to the board of directors

Life Is On | Schneider Electric

Registration document

Annual financial and sustainable development report

2016

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

The business and sustainable development report is available at **www.schneider-electric.com**, Sustainable development and foundation section.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This registration document was filed with the *Autorité des Marchés Financiers* (AMF) on March 17, 2017, 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

Focus on strategic priorities yielded strong results in 2016

At Schneider Electric, our role is to make sure that Life Is On for everyone, everywhere, at every moment. We do so by delivering energy and efficiency connected solutions in more than 100 countries.

In an unpredictable global environment, as we faced unprecedented events in Europe, in the US and everywhere in the world, we have kept our trajectory and 2016 has been a year of consistent and solid execution of this strategy.

We achieved all our key financial targets, our revenue reached EUR24.7 billion, with slightly positive underlying growth and adjusted EBITA margin of 14.1%, up 90 bps before foreign exchange impact. Our adjusted net profit was EUR1.8 billion, jumping up by 24%, and we delivered record cash generation with free cash flow of EUR2.2 billion; and a strong cash conversion at 118%.

Our Building business delivered solid results both in growth and profitability: the adjusted EBITA amounted to EUR2,099 million, or 19.6% of revenues, up +1.6 points mainly thanks to industrial productivity and cost control. Infrastructure margin improved by 1.3 points organic in difficult markets. Industry and IT businesses are turning the corner and remained resilient, both posted positive organic revenue growth in Q4.

Our global footprint and balanced exposure to four markets continue to be a strong asset for resilience: China resumed growth towards the end of the year while the rest of Asia Pacific and Western Europe stayed flat. North America slowed down, driven by weak infrastructure and O&G markets. Excluding the Middle East, the rest of the World was slightly up. Our strategic initiatives achieved good results in a mixed market: Services delivered growth higher than group average across all businesses, up by +5% for revenues.

In line with our commitments to our shareholders, we invested EUR853 million in share buybacks in 2016, and a cumulative of EUR1.5 billion in share buybacks over years 2015-2016. We are going to propose this year's dividend at EUR2.04 per share, up 2% compared to 2015.

2016 was also a year to further optimize our offer portfolio, strengthening our focus on core businesses and driving the Group's performance, with the complete disposal of Telvent Transportation and some minor acquisitions and strategic review of other businesses.

Schneider is On

2016 was the 2nd year of our company program, Schneider Is On, with continued progress along 5 axes bringing benefits for our customers: Do more; Simplify; Digitize; Innovate and Step up.

Within "Do More", our Services revenues went up organically by 5%; Systems Gross Margin up by 40bps (~+70bps before foreign exchange impact) thanks to greater Project selectivity and better execution; Global Strategic Account orders up mid-teens.

Our "Simplify" initiative delivered EUR620 million Gross Support Function Cost reduction plus industrial productivity in 2016, with accumulated cost cutting of EUR1.3 billion since 2015. We are well in line with our plan of EUR1.7 billion to EUR1.8 billion reductions by 2017.

Within the "Digitize" initiative: 2016 has been a defining year in converging our architectures into EcoStruxure™, which is our digital architecture for six segments (Building, Power, Data Center, Machine, Plant, Grid), across our four major markets. Between 2015-2016, the number of connected assets has increased by 15% and unique connected customers are up by 40%. The Internet of Things represents more than 45% of our total turnover.

Within our Innovate initiative: we continue to invest 5% of our revenue (EUR1.3 billion) into R&D and launched numerous impactful key offers in connected products, edge control and software within our EcoStruxure™ digital architecture. We are leading the new world of energy and are pioneering the Internet of Things. Wherever people operate in the world, we make those technologies available to everyone, everywhere, at every moment.

We also innovate in sustainable development, our Planet & Society barometer reached 8.48/10, outpacing year-end target 2016 (7.5/10). More than 20 million people benefited from our Access to Energy offers. Our positive impact has been honored externally by a few international recognitions: we're proud to be among the top 25 companies in Fortune Magazine's Change the World ranking; an Industry leader in the Dow Jones Sustainability Index (DJSI) and to be part of the CDP Climate A list for the 6th consecutive year. For the 1st time since inception in 2001, we joined the FTSE4Good Global and Europe indices. As President of the United Nations Global Compact France, I want to reaffirm my support to the UN Global Compact Ten Principles and the Sustainable Development Goals.

> In an unpredictable global environment, as we faced unprecedented events in Europe, in the US and everywhere in the world, we have kept our trajectory and 2016 has been a year of consistent and solid execution of this strategy.

EUR1,3 billion
of investments in R&D in 2016

Finally, the Step Up initiative focuses on building talent and fostering employee engagement. At the end of 2016, more than 34,000 employees support our engagement in HeForShe, the UN women empowerment initiative. We made progress in empowering women as leaders, with women representing 20% of our management teams and we are pleased to see it has reached 30% in new economies. We share our energy knowledge to cultivate tomorrow's energy leaders, and have trained more than 50,000 people in 26 countries (and over 500,000+ online with our Energy University) through our ongoing sustainability education programs.

2017 outlook

We are starting 2017 with Schneider well positioned for profitable growth. Our major geographies are set to improve. North America expects improvement in industrial activity and continued growth in residential markets; Western Europe will benefit from an environment with a lower Euro and still relatively low oil price, although some Brexit-related risks remain. In the field of energy China is stabilizing, and growth has been positive in the past two quarters; a stark contrast from where it was one year ago. We will still face headwinds in Oil & Gas and continued weakness in some resource driven economies, although these may ease towards the end of the year.

> OUR ROLE IS TO MAKE SURE THAT LIFE IS ON FOR EVERYONE, EVERYWHERE, AT EVERY MOMENT.

In this environment, we are committed to furthering growth, as we focus on growing our partner network through the launch of many new innovative offers, developing services and software, working on margin improvement through continued selectivity on projects and keeping strong attention on cost control.

Finally, as sustainable innovators, we are very excited by the launch of EcoStruxure™ architecture in the domains of Building, Power, Datacenters, Machines, Plant and Grids and by the greater value we offer our customers through our innovative offers. The enhanced architecture and platform is open, scalable and interoperable, connecting the three core layers of our technology stack, from connected products, to edge control, to applications, analytics and services. The next generation EcoStruxure™ delivers enhanced value around safety, reliability, efficiency, sustainability, and connectivity.

We look forward to continuing this journey with you towards a strong 2017.

Interview with Emmanuel Babeau

Deputy Chief Executive Officer in charge of Finance and Legal Affairs

Schneider Electric delivered a strong performance in 2016, meeting all its key financial commitments. What were the performance highlights?

In 2016, we continued our strategy to deliver profitable growth, growing in products and services and being more selective in systems (equipments & projects). Our revenues of EUR24.7 billion were down – 0.9% organic in 2016 but grew slightly excluding the impact of our selectivity initiatives. We delivered a strong improvement in our adjusted EBITA margin which increased by c. +0.9pt before foreign exchange to 14.1%, helped by strong industrial productivity, positive net pricing and efficient cost control. We also benefited from an improving mix trend as we saw the benefits of a higher margin on our systems. This operational performance translated despite currency headwinds in our earnings per share growing by +2% adjusted for exceptional items and +26% on a reported basis. In addition, our free cash flow(1) was at record level of EUR2.2 billion, thanks to the strong delivery of our global supply chain initiatives.

What were the highlights of the performance by division?

Building, our largest division in term of revenues delivered a slight growth and improved adjusted EBITA margin by c. +1.5pt organic. Industry faced difficult markets in the first 3 quarters, but the momentum improved in Q4. Profitability remained resilient, with the adjusted EBITA margin being -0.2pt organically down mainly due to lower volumes. IT grew in large markets but suffered from weakness in EMEA. The division's margin decreased but remains on high level. Infrastructure main objective for 2016 was to improve profitability. The adjusted EBITA margin of the division improved by c. +1.3pt organically, reaching 9.7%, this strong performance was however below the target of 10% due to a strong negative foreign exchange impact.

The Group targets profitable growth in 2017, what are the key levers?

Our priorities for 2017 are to resume organic growth for the business outside Infrastructure and continue to improve our operational margin level organically. We target between 1-3% organic growth for 3 divisions (Building, IT, Industry) and keep focusing on attractive opportunities in products, services and software. We will also continue our selectivity initiatives, impacting revenues in Infrastructure by -4% to -5% while underlying organic growth in the division is expected to be about stable. In addition to the leverage coming from growth, we should continue to benefit from our cost savings actions encompassing industrial productivity and gross support function costs savings with the combined objective to save c. EUR400-500 million in 2017, bringing the total cost-savings initiative to our objective of EUR1.7-1.8 billion over 2015-2017. Taking all these actions into consideration, our objective is to improve the Group's adjusted EBITA margin by +20-50bps organically in 2017, in line with our 2017-2019 objective shared at the recent investor day.

Could you share the key levers highlighted at the recent investor day to drive shareholder value in the next years?

In our recent investor day, we have highlighted our levers to deliver shareholder value over the next 3 years. First, our objective is to continue our earnings growth through a combination of top line growth and margin expansion. Our objective is to grow around 3% organic on average over the 2017-2019 period in 3 divisions, Building, IT and Industry making c. 80% of our portfolio. Our company is indeed 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 complementary business models. We have also launched in 2016 our digital architecture EcoStruxure™ which offers promising opportunities for growth. In addition to growth, we continue to focus on operational efficiency notably through simplification and cost-efficiencies initiatives as well as greater selectivity on projects for Infrastructure which enables us to target an improvement of our operational margin by 20-50bps organically on average per year in the next 3 years. This objective should translate into strong growth of our net profit. Combined with the strong free cash flow(1) 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, ad through potential further share buybacks/special dividend.

(1) Cash provided by operating activities less change in working capital less net capital expenditure.

Leadership team

Executive Committee (as of February 15, 2017)

1. Jean-Pascal Tricoire — Chairman & Chief Executive Officer

Global functions

2.	Emmanuel Babeau	Deputy Chief Executive Officer in charge of Finance and Legal Affairs
3.	Prith Banerjee	Executive Vice-President, Technology
4.	Olivier Blum	Executive Vice-President, Global Human Resources
5.	Annette Clayton	Executive Vice-President, Global Supply Chain
6.	Hervé Coureil	Executive Vice-President, Information Systems
7.	Daniel Doimo	Executive Vice-President, Global Solutions
8.	Emmanuel Lagarrigue	Executive Vice-President, Strategy
9.	Chris Leong	Executive Vice-President, Global Marketing

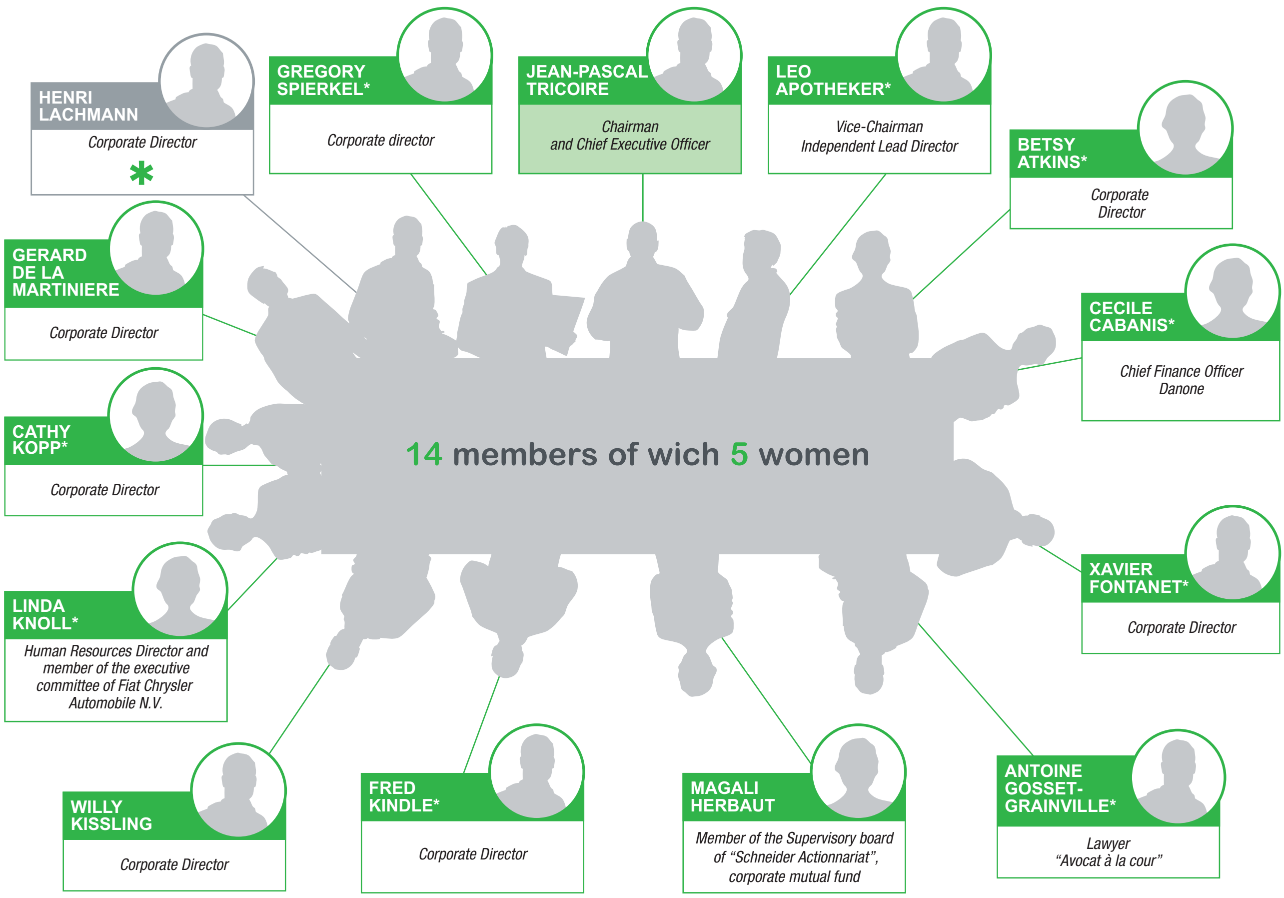
Operations

10.	Leonid Mukhamedov	Executive Vice-President, Europe Operations
11.	Luc Rémont	Executive Vice-President, France Operations
12.	Annette Clayton	Executive Vice-President, North America Operations
13.	ZHU Hai	Executive Vice-President, China Operations

Businesses

14.	Frédéric Abbal	Executive Vice-President, *Infrastructure*
15.	Peter Herweck	Executive Vice-President, *Industry*
16.	Philippe Delorme	Executive Vice-President, *Building & IT*

Board of Directors (as of February 15, 2017)



✱ NON-VOTING DIRECTOR

SECRETARY OF THE BOARD: DELPHINE GIEUX

* Independent directors to the definition by AFEP/MEDEF corporate governance guidelines

Members of committees

	LÉO APOTHEKER	BETSY ATKINS	CÉCILE CABANIS	XAVIER FONTANET	ANTOINE GOSSET-GRAINVILLE	MAGALI HERBAUT	FRED KINDLE	WILLY KISSLING	LINDA KNOLL	CATHY KOPP	GÉRARD DE LA MARTINIERE	HENRI LACHMANN	GREGORY SPIERKEL
Governance & remunerations committee Secretary: Delphine Gieux(1)	⊙							✓	✓				✓
Audit and risks committee Secretary: Pierre Lévêque(2)			✓		✓		✓				⊙		
Human resources and CSR committee Secretary: Olivier Blum(3)						✓		✓	⊙	✓		✓	
Strategy committee Secretary: Emmanuel Lagarrigue(4)	✓	✓		⊙			✓						✓

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

Statutory auditors

Principal auditors

Ernst & Young et Autres
Mazars

Alternate auditors

Auditex
M. Thierry Blanchetier

Key Figures 2016

Full year revenues down
-7.3%
-0.9% organically

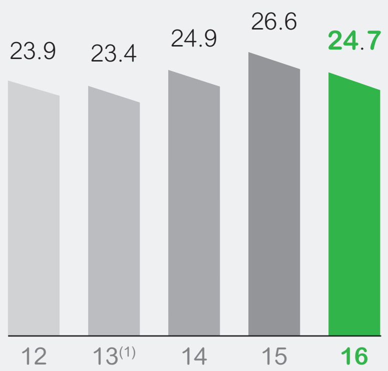
Full year Adjusted
14.1%
EBITA

Strong cash conversion at
118%

Proposed dividend of
€2.04
up + 2%

Consolidated revenue

(in billions of euros)

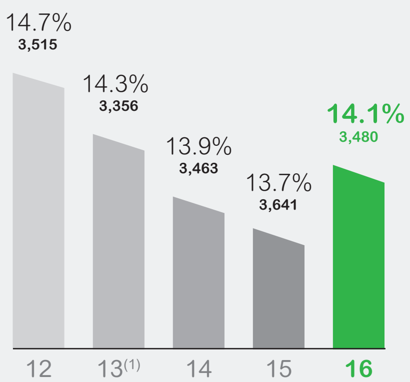


Revenues were down -7.3%, down -0.9% on a constant structure and exchange rate basis. Underlying revenues[2] were slightly up.

2016 delivered solid results, with strong improvement in Adjusted EBITA margin, all-time high Free Cash Flow and Net Income +24%. The company is well positioned for profitable growth, with the Group's strategy to focus on products, services, and better systems fully delivering. Additionally, EcoStruxure™, the Group's digital architecture, is being ramped up across major markets. The Building business delivered growth and margin improvement, IT grew in large markets but was slightly down overall, impacted by weakness in EMEA. Infrastructure improved its margin by +1.3pt organically thanks to higher system margin and strong cost control. Industry delivered great resilience in a mixed environment, with positive momentum in Q4. From a geographic standpoint, Western Europe was about flat, while North America and Asia-Pacific declined organically c. -1%. Rest of the World declined c. -3%, impacted by weakness in the Middle-East. New economies accounted for 41% of 2016 revenue.

Adjusted EBITA[3]

(in millions of euros and as a % of revenue)



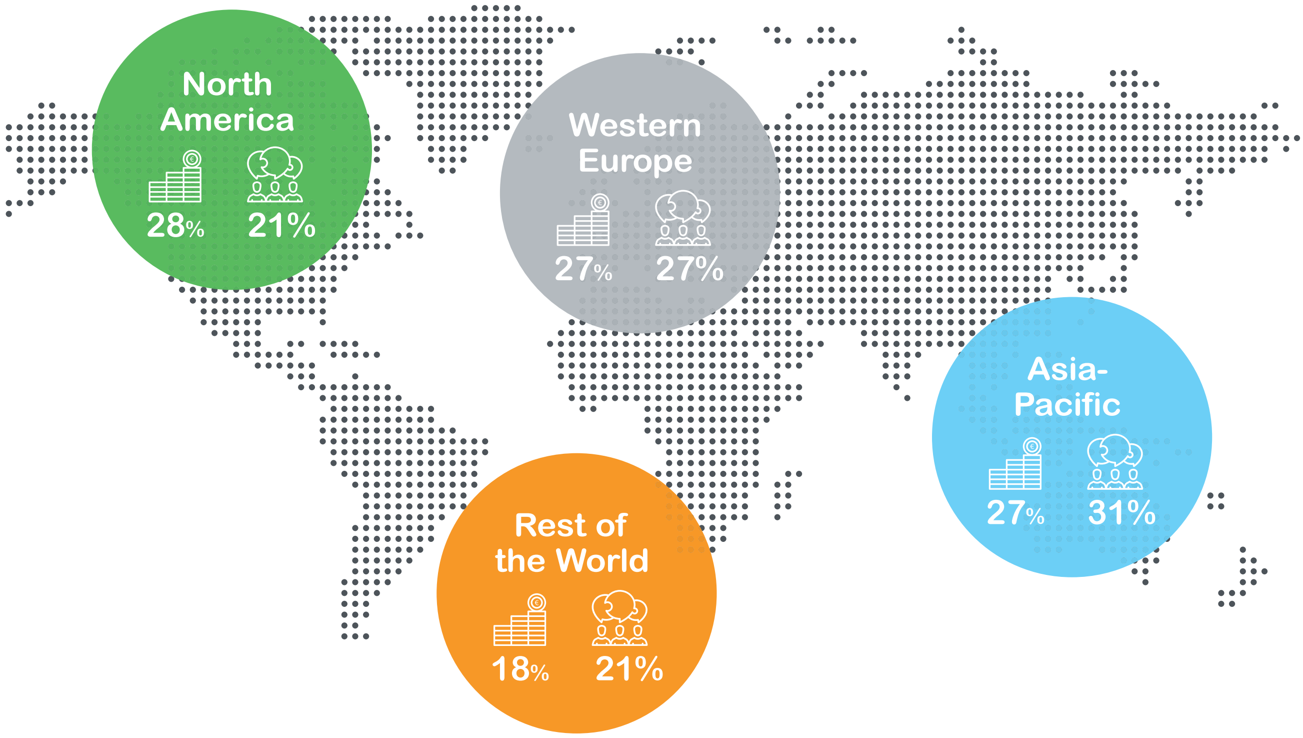
Full year 2016 adjusted EBITA was 3,480 million euros, an organic increase of +4%, representing 14.1% of revenue. Net price and industrial productivity were the main drivers of the increase while volume and cost of goods sold inflation were negatives. Mix was negative, but showed a strong improvement in trend compared to last year. FX decreased the adjusted EBITA by -199m euros, mainly due to the depreciation of the GBP, Chinese Yuan, 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) Estimated FY underlying organic growth excluding the impact of c. -€280-300m from project selectivity initiatives.
(3) Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

Revenue and 2016 headcount by geography

24.7 Md€
revenue

143,901
employees(1)

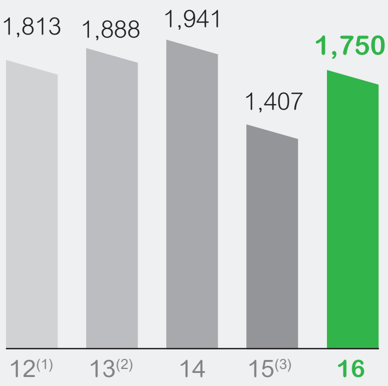


Ownership structure on December 31, 2016

5.8%	5,2 %	4,5%	6.3%	78.2%
MFS Investment Management	BlackRock, Inc	Employees (2)	Treasury shares	Public

(1) Spot headcount, including employees under fixed-term and open-ended contracts, on December 31, 2016.
(2) Of which 3.9% held through the WESOP (World Employee Share Ownership Plan).

Net income
(in millions of euros)

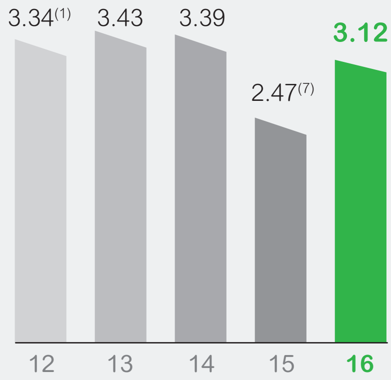


The Group share in net income was 1,750 million euros, up +24% year-on-year.

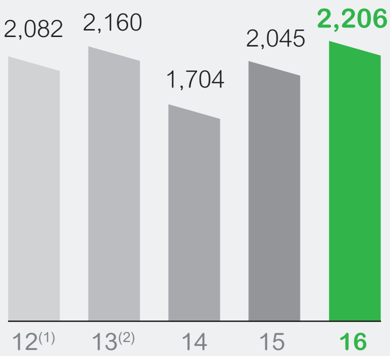
Restructuring charges were 313 million euros, driven by efficiency and simplification initiatives. Other operating income and expenses had a negative impact of -63 million euros, vs. -522 million euros in 2015. The amortization and depreciation of intangibles linked to acquisitions was a negative -153m euro, compared to -572 million euros in 2015. This decrease in amortization comes mainly due to the end of the depreciation of several previously acquired brands.

Income tax was 712 million euros, including an exceptional -119m euro non-cash charge linked to the negative adjustment of net deferred tax assets. Without exceptional charge, the effective tax rate (ETR) would have been 23.8%.

Dividend per share
(in euros)

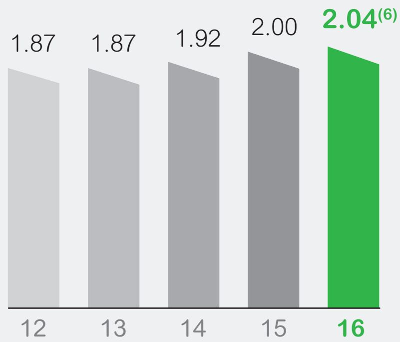


Free cash flow[4]
(in millions of euros)



Free cash flow was a record 2,206 million euros, up +8% from 2015, thanks to strong operating cash flow and working capital management. Capital expenditure to revenues ratio remained unchanged from 2015 at 3.1%. Cash conversion remained high at 118%[5].

Earnings per share
(in euros)



Share price against CAC 40 index over five years

(1) 2012 figures restated for the application of IAS 19 Revised (pension accounting).
(2) 2013 figures restated due to the full consolidation of Delixi (previously consolidated proportionally at 50%), CST reclassification in discontinued operations and other minor changes
(3) 2015 net income adjusted for Invensys integration costs, impact of business disposals, Pelco impairment, and restructuring charges. All elements net of tax.
(4) Cash provided by operating activities less change in working capital less net capital expenditure.
(5) Cash conversion based on net income adjusted for non-cash c.120 million euro income tax increase.
(6) Subject to shareholders' approval at the Annual Meeting of April 25, 2017, for payment on May 10, 2017.
(7) 2015 EPS adjusted for business disposals impact and Pelco impairment is 3.73 vs. 3.51 in 2014.

2016 in brief

Strategy, technologies and businesses

On January 15, Schneider Electric announced that its Energy University program, an industry-leading, online, non-proprietary education tool for energy management and automation, has grown to more than 500,000 registered participants worldwide.

On February 1, Schneider Electric announced that it had become a shareholder and formal partner of KIC InnoEnergy, the innovation engine for Europe's energy industry.

On March 30, Schneider Electric and the Fondation Partenariale Grenoble INP announced the launch of MINT (Innovating for Molded & Printed Electronics Devices), a new industrial chair of excellence devoted to Plastronic, a scientific discipline that combines the technologies used for the manufacture of plastics parts and electronic circuits, their interconnections and the transfer of electronic components to three-dimensional surfaces. The aim of the chair is to develop Plastronic technologies to support the strong growth of the Industrial Internet of Things (IIoT).

On March 31, Schneider Electric announced it had signed an agreement with Amaury Sport Organization (ASO), to extend its title sponsorship of the Paris Marathon for another three years. Schneider Electric has been the title sponsor since 2012, working with ASO to create unforgettable experiences for runners and spectators alike.

On April 4, Schneider Electric announced it had been named a leader in 2016 Gartner's Magic Quadrant for Advanced Distribution Management Systems. Schneider Electric has received the highest scores in all three use cases in the Critical Capabilities for Advanced Distribution Management Systems.

On May 26, Schneider Electric announced it had been named to the Gartner Supply Chain Top 25 for 2016. Gartner's rankings identify supply chain leaders and highlight their best practices for heads of supply chain and strategy organizations. Schneider Electric moved from #34 in 2015's global rankings to #18 in 2016 to join the top 25 for the first time in the company's history.

On September 5, Schneider Electric announced it has been named in the 4th place in the Clean200, a list of the 200 largest companies worldwide ranked by their total clean energy revenues. The ranking recognized Schneider Electric's commitment to offer innovative solutions that ensure Life Is On everywhere, for everyone, at every moment.

On September 14, Schneider Electric announced it had been named a leader in the Navigant Research Leaderboard Report on Building Energy Management Systems (BEMS). For the second year in a row, Schneider Electric has received the highest overall score for strategy and execution among 15 companies that have demonstrated a strong track record in the BEMS market.

On September 21, Schneider Electric announced it had named Peter Herweck to lead the Industry Business as Executive Vice-President and member of the Executive Committee.

On October 12, Schneider Electric along with Panasonic announced an integrated HVAC equipment and building management solution that brings new levels of HVAC control and energy efficiency to today's commercial buildings. Both companies have developed a new interface wireless solution that enables direct serial communication between Schneider Electric's building management system and room controllers with Panasonic's variable refrigerant flow (VRF)-based HVAC systems *via* the ZigBee® wireless communication standard. This integration allows building owners and managers to view all of their core building systems including HVAC equipment, lighting, security, power and electrical distribution anytime and anywhere *via* a single interface and delivers actionable insights to reduce energy consumption and drive savings.

On October 20, Schneider Electric announced it is a founding partner of the Internet of Things (IoT) Chair, launched by ESCP Europe at the start of the academic year 2016-2017. The Chair is dedicated to supporting students, companies and research professors in investigating and researching business and management issues related to digitization and the development of connected devices. Valeo, a leading global automotive supplier, is also a founding partner of the Chair.

On October 20, Schneider Electric announced it has renewed its strategic partnership with CEA Tech, the Technological Research Division of the CEA, the French Alternative Energies and Atomic Energy Commission, for five years. Set up in 2010, this strategic research partnership between Schneider Electric and CEA Tech aims to carry out exclusive R&D projects in key areas for Schneider Electric, to contribute to collaborative projects for validating prototypes, and finally to accelerate the transfer of technologies from CEA Tech, and their integration in industrial areas.

On November 29, Schneider Electric announced the launch of its next generation EcoStruxure™ architecture and platform to deliver IoT-enabled solutions at scale for building, grid, industry and data center customers. The enhanced architecture and platform is open, scalable and interoperable, connecting the three core layers of Schneider Electric's technology stack, from connected products, to edge control, to applications, analytics and services. This next generation EcoStruxure™ delivers enhanced value around safety, reliability, efficiency, sustainability, and connectivity of IoT-enabled operations.

Finance

On April 4, Schneider Electric announced it had finalized the sale of its Transportation business to Kapsch TrafficCom AG. The Transportation business targets major transportation, highways and infrastructure operators and municipalities. It offers a large range of solutions and services in the areas of traffic, tolling, tunnel and transit management, which make existing infrastructure more efficient, improve mobility and the safety of people, and reduce pollution. The sale of the Transportation business is consistent with the Group's strategy to optimize its business portfolio and concentrate its focus on core businesses.

Employees

On March 8, Schneider Electric announced the launch of a capital increase reserved for employees under the employee savings plan (*plan d'épargne salariale*). This offering, which is in line with the Group's policy to develop employee shareholding, was proposed in 33 countries, including France. This plan covers around 90% of employees.

On July 5, Schneider Electric announced it has been listed in LinkedIn Top Attractors, a global ranking of the 40 companies that attract most interest on LinkedIn, the business-oriented social networking service.

On July 8, Schneider Electric announced that 40 country Presidents of Schneider Electric had ratified the global Women's Empowerment Principles (WEPs) set out by UN Women and the Global Compact. These 40 leaders oversee more than 90% of Schneider Electric employees.

On September 23, Schneider Electric announced the winners of Go Green in the City 2016, its 6th international case study competition. The final event was held at the Group's headquarters in Rueil-Malmaison, France from September 19-22. The winners of this year's challenge were Vivian Silas Jeyachander Manohar and Rini Bharadwaj, from the University of Applied Sciences FH Aachen, Germany, for their idea of an innovative off-grid wind and pump solution.

Corporate social responsibility

On January 15, Schneider Electric announced that Corporate Knights had ranked it as one of the 100 most advanced companies in the world in the field of sustainable development. The Group ranked 12th overall and 1st in its sector.

On February 8, Schneider Electric and its Foundation announced that they will act as patron of the Nomade des Mers (Nomad of the Seas) expedition to research and promote low technologies (low tech). The mission of the Nomade des Mers project, launched at the end of 2015, is to showcase useful, simple and accessible technologies that are also environmentally friendly: low technologies.

On March 7, Schneider Electric announced it had been recognized by the Ethisphere Institute, a global leader in defining and advancing best of ethical business practices, as 2016's World's Most Ethical Company®. Being honored by Ethisphere for the sixth consecutive year underscores Schneider Electric's commitment to leading ethical business standards and practices, ensuring long-term that create value and long-term relationships with key stakeholders including customers, employees, suppliers, regulators and investors.

On April 4, Schneider Electric and the Rural Electrification Authority of Kenya announced they had electrified 128 rural schools throughout Kenya in 2015. It represents more than 45,000 primary schools' pupils that who now have access to energy for their education needs.

On April 5, Schneider Electric announced it has signed agreements to open more French South African Schneider Electric Education centres. Schneider Electric will collaborate with four South African higher learning institutions and the French Ministry of National Education to provide state-of-the-art equipment to train disadvantaged young South Africans in the field of energy.

On June 23, Schneider Electric, the Schneider Electric Foundation and the CIEP of the French Ministry for National Education, Higher Education and Research announced they have signed a partnership agreement to develop synergies between their initiatives in the field of international training. The partnership's main field of focus will be energy, renewable energy, energy transition and efficiency, and energy access assistance to developing countries.

On September 27, Schneider Electric announced it has joined the FTSE4Good Global and Europe indices. Created by FTSE Russell in 2001, the FTSE4Good Index Series recognizes companies that demonstrate strong environmental practices, develop dialogue with their stakeholders and support universal human rights. This is the first time the Group has been included in the FTSE4Good series.

On October 26, Schneider Electric has been recognized as a global leader for the 6th year in a row for its actions and strategies in response to climate change, and was awarded a position on The Climate List by CDP, an international not-for-profit organization that drives sustainable economies. The Group has been also awarded a position on the Climate Disclosure Leadership Index (CDLI) for its high quality data on carbon emissions and energy.

On November 15, Schneider Electric unveiled Homaya Solar Home Systems, portable electrification solutions designed to improve lives in off-grid households in Africa and Asia. These complete solutions comprise solar panels, an in-built battery and 3-4 lamps. In addition to powering the lamps, the battery can be used for direct-current (DC) electrical devices such as radios, fans, televisions. This robust system offers access to sustainable energy in suitable conditions for African and Asian homes for an up-front investment of around US$100.

Overview of the Group's strategy, markets and businesses

1

1. Group strategy and market opportunities

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

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

1.1 Our mission

At Schneider Electric, our mission is to serve our customers by developing innovative products and solutions that simplify the lives of those who use them. We bring together our expertise and solutions to drive new possibilities for efficiency and savings.

As the global specialist in energy management and automation, we are committed to global improvement in connectivity, sustainability, efficiency, reliability and safety in 5 primary areas: in our homes, in our cities, in our industries, in our buildings, and in the cloud.

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

- **safe:** protecting people and assets;
- **reliable:** guaranteeing ultra-secure, ultra-pure and uninterrupted power especially for critical applications;
- **efficient:** delivering solutions adapted to the specific needs of each market that simplify customers' 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

Urbanization, industrialization and digitization continue to shape our lives as new economies are built and established economies are transformed. These three megatrends are creating many new opportunities for Schneider Electric.

Urbanization

Cities today are the home to over 50% of the world's population, consume more than 70% of global energy consumption and give off 75% of greenhouse gas emissions. Cities are growing: by 2040, they will house an additional 1.9 billion people. Cities face urban challenges of unprecedented scale: scarcity of resources such as energy and water, environmental pressure and pollution, aging and overloaded infrastructure, traffic congestion and security concerns.

All over the world, cities need to become smarter: **more efficient, more liveable and more sustainable**. This means:

- improving the efficiency of the city's underlying urban infrastructures, from the electricity grid to water distribution systems, via public transportation systems and services, and exchange of data and information across services;
- becoming a better place to live, work and play;
- reducing its environmental impact – lower carbon footprint, reduce energy consumption and urban regeneration.

So what cities need today are solutions to their most acute pain-points that: deliver the services and savings that inhabitants deserve; provide visible, measurable results that promote attractiveness; and have a low upfront investment, because cities across the world need to balance their budgets.

Schneider Electric delivers urban efficiency as a trusted partner to drive collaboration and buy-in of all stakeholders - local and regional governments, private companies, utilities, real estate developers, and investors. We provide comprehensive urban solutions, which form the foundations of a smart city, by bringing in proven technology. We enable a connected and unified approach to decision-making by integrating controls with operation and information systems. Schneider Electric already works with more than 250 cities across the world, and helps provide visible benefits to cities and their inhabitants:

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

Industrialization

Manufacturing activities rise as new economies develop. In 2016, new economies represented 39% of world GDP – and this should reach close to 52% by 2030. Industrialization in these economies will continue in the medium term. Population growth in new economies is also driving increased needs for manufactured goods, with 1.8 billion people entering the global consuming class by 2025. Capex in new economies will also continue to increase in the medium term, from 51% of world Capex in 2016 to close to 57% by 2030. At the same time energy needs will increase accordingly. The share of global energy demand of non-OECD countries will continue to rise – from 59% in 2014 to close to 65% by 2030 – due to increasing demographics growth, industrialization, urbanization and affluence.

In many mature countries, where companies are looking for efficiency gains and modernizing their infrastructure; services, innovation and digital transformation are of increasing importance and key factors for growth. Industries account for one-third of the total world energy consumption. This global industrial energy use is projected to double by 2050 in the absence of any new environmental measures. The International Energy Agency estimates that the Industry could half the increase in energy consumption through increased electrification and energy efficiency action.

The growing trend of increasing industrialization promises business growth and expansion opportunities. Schneider Electric will continue its focus on innovative solutions and to identify opportunities for further services development, in order to contribute towards efficiency and sustainability improvements in these markets. For long-term sustainable development in new economies, Schneider Electric will continue to focus on combining its global value chain with local partnerships to contribute toward the economic development through job creation and poverty reduction, in addition to investments in production capacity and physical & technological infrastructure to meet the growing demands for standardized and cost efficient offerings.

Digitization

In the past 20 years, the Internet has connected 3.5 billion people together. In the coming ten years, this number will grow by over 70%. Additionally, the Internet will connect 30 billion devices by 2020. The increase in connectivity and access to real-time information is changing our personal and professional lives. Companies are digitizing their operations and expect a complete digital experience from their suppliers, from ordering to customer service. Employees are increasingly using online platforms and tools to collaborate more efficiently across different countries and time zones. Digitization is changing the way we work and creating opportunities for new services.

In energy management, operational technology (OT), i.e.,the world of physical equipment control, is converging with information technology (IT), i.e., the world of information processing. Products are now connected and can be remotely controlled to optimize operations. This results in the feasibility of implementing active energy efficiency, which creates new business models and new opportunities in smart products, systems and services – such as smart grid and smart factories.

A smart energy grid combines smarter supply (the efficient integration of renewable and distributed energy sources and flexible distribution), smarter demand (energy-efficient sites and homes, connected to the grid), and demand response to balance the two. Schneider Electric is active in five key domains which form a smart grid: flexible distribution, renewable energy integration, efficient buildings, electric vehicle charging infrastructure and demand-response. Micrograds, distributed energy resources (DER) and energy storage allow consumers to produce their own energy and shift to a greener energy mix. Renewable energy sources will account for 60% of all new power generation capacity to 2040 according to the International Energy Agency. These changes in the energy mix will further increase the need for smart grid management.

The smart manufacturing enterprise is made up of smart machines, plants and operations with higher levels of embedded intelligence. Connectivity based on open and standard internet protocols and cloud technologies with integrated cybersecurity enables the use of advanced analytics and mobile technology to unlock higher efficiency and profitability, as well as improved security. For example, real time data analytics allow for predictive maintenance and improved Asset Performance Management, while Augmented Reality helps maintenance operators improve productivity and minimize downtime. Together with OT sensors and control devices, industrial software is the core of smart factories. Schneider Electric has significantly strengthened its industrial software offering, especially in operations management, for process management as well as industrial automation applications.

In addition to continuously innovating and digitizing our offerings, Schneider Electric aims to provide the best-in-class digital experience to our customers and partners, such as a 24x7 dynamic sales & marketing channel and a tailored customer service experience. Digitization is at the core of the Group's strategy and Schneider Electric is committed to supporting the digital transformation of its customers and its partners.

Urbanization, industrialization and digitization are creating many new opportunities for Schneider Electric, from growing needs in terms of automation and connectivity to the massive need for energy efficiency that requires optimized use of resources. Schneider Electric will continue to play a leading role in the movement toward a more efficient, sustainable, and connected world.

1.3 Group strategy

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

Leveraging the world's new energy challenges

The quest for economic growth and development is straining our planet's resources. The world is facing many energy challenges: scarcity of natural resources, CO_2 emissions reduction requirements, integration of unpredictable and intermittent renewable sources of energy, higher in peaks of consumption, and others. In its World Energy Outlook, the International Energy Agency (IEA) estimates that improved energy efficiency slows the growth of total final energy consumption, mainly thanks to efficiency gains in industry. However, 70% of the world's energy is used without any efficiency performance requirements. For new buildings, two-thirds 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%, providing a very attractive business case in both mature and new economies. Schneider Electric has developed a wide range of products and solutions that will provide homeowners and managers of industrial plants, data centers, infrastructure and buildings with significant levels of energy efficiency and savings.

Our automation solutions can save up to 30% of a building's energy needs, significantly improving a company's carbon footprint, while delivering savings on its charges, with limited upfront investment.

Our smart grid solutions help electricity producers and distributors to improve the efficiency of their assets and to offer a better service to their customers. This also contributes to the improvement in the operation of the grid and the reduction in investment in new generation capacity.

Our industrial automation solutions can also enable massive energy savings. 30% of global electricity consumption in industries is consumed by electric motor systems, which the IEA estimates can be reduced by more than 15%. Our Variable Speed Drives can significantly improve the efficiency of an electric motor system and are a main contributor in IEA estimations.

Serving our customers' increasing need for automation in key market segments

The rapid industrialization taking place in new economies and the need to modernize existing industrial facilities in mature economies are creating significant opportunities for growth. Coupled with this, large corporations are looking to improve operational efficiency across the whole enterprise, while at the same time improving security and safety for operators and the environment. By implementing advanced automation and more flexible production techniques manufacturers could boost their productivity by as much as 30% (source: Accenture). Schneider Electric enjoys a strong position both in discrete and process automation and is well-placed to address these challenges. We leverage the Group's extensive software capabilities to help customers in key industries, such as mining, oil & gas, food-processing or cement plants, improve their productivity and operational efficiency, reduce their energy consumption and optimize their use of resources.

Schneider Electric also helps machine manufacturers in markets such as materials handling or packaging develop reliable, fast, precise and efficient machines. Our application design engineers optimize the machine's performance and reduce the length of the design cycle, shortening the machine builder's time-to-market.

Supporting the digital transformation of customers and partners

The convergence of operational technology (OT) and information technology (IT) creates many new opportunities for customers. It makes their life easier, increases productivity, creates new business models that provides new value propositions for their own customers. Digitization is at the heart of their future growth. Through continuous innovation, Schneider Electric engineers products and solutions that help them unlock this potential.

Schneider Electric builds native and secured connectivity into its product offerings, delivers a full range of digital services to help customers extract value from their data and provides the best customer experience to its customers and partners. All our offers are built on open and interoperable system architectures and are available in our EcoStruxure™ framework.

Leveraging the opportunity from new economies

Countries in Asia (excluding Japan), Latin America (including Mexico), the Middle East, Africa and Eastern Europe (including Russia), which the Goup refers to collectively as "new economies" will continue to experience accelerated development in the medium-term as they catch up with more mature economies. As a result of the industrialization, urbanization, digitization and development processes that these countries are experiencing, Schneider Electric expects the markets of these economies to continue to have a medium-term need for the products and solutions that the Group provides. The goal is to leverage this opportunity by expanding the Group's geographical coverage in these markets, by increasing its presence in new cities, and further penetrating these markets, with mid-market segment offerings that are supported by strong brands with wide local coverage. The Group has made a long-term commitment to, and investment in, these economies.

As of December 31, 2016, the Group had over 78,009 employees in new economies and, during 2016, our new economies-based purchasing and manufacturing costs accounted for approximately 52% of our industrial costs. Schneider Electric is well positioned to support the medium-term needs of new economies in Asia, Africa, the Middle East, Latin America, Eastern Europe and Russia. The decision to split our Executive Committee across multiple management hubs, a pioneering management decision, allows us to be close to our customers in all markets – remaining local while being global. Our long-term commitment helps us build an intimate knowledge of these markets and we believe that the strength of our brands, our competitive local supply chain and the development of local marketing and R&D capabilities are our competitive advantages in these economies.

Building two complementary business models: Products and Solutions

The businesses in each of our four business segments offer both products and solutions. Solutions are comprised of systems, such as highly customized products or combinations of our products, software and services. Our Products and Solutions businesses have different revenue growth and profitability profiles, with our Solutions business complementing our Products business. Solutions are also an important platform to develop our presence in Services, where we can deliver higher added value, more frequently and with lower capital requirements.

Products business model

The Group believes its products, representing 56% of the sales, offer best-in-class technology, strong channel access to markets and optimal quality and cost, which allows the Group to achieve scale and pricing advantages in markets where the Group operates. Schneider Electric markets and sells products principally through 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. In order to reinforce its leadership position and continue to grow, the Group leverages technology to offer connected, market leading products and to create new opportunities for distributors and direct partners in a win-win relationship.

Solutions business model

Solutions, representing 44% of our sales, include Equipment, Projects, Software and Services, and allow the Group to generate additional growth and profits, lower capital intensity and help reduce cyclicality. They provide significant opportunities to develop greater customer intimacy and stickiness through dialogue with final end-users, which in turn helps inform the Group's quest for continuous innovation. Through the EcoStruxure™ framework, Schneider Electric uses reference architectures in each of our solutions in order to facilitate the integration of its products and speed up project design, while its software offers address the efficiency needs of companies and allow complete but simple control and management of their operations. Schneider Electric also supports the productivity and peace of mind of its customers with an extensive range of digital services and maintenance services delivered by a network of over 37,000 qualified technicians.

Investing in profitable and responsible growth while driving efficiency

We believe in the high long-term growth potential of our business and Schneider Electric continuously invests to drive that growth. This investment is focused on sustained spending on research and development, as well as on growing our commercial presence and skills, especially in the fields of high value-added technologies and services.

In addition to our commitment to organic growth, the Group has invested in companies, joint ventures, strategic alliances and mergers that have reinforced our global leadership, provided skills in energy management and automation, or related to local businesses in new economies.

In addition to the investments we make to foster growth, driving efficiency at all levels of our Company is an equally important focus for the Group. We continuously seek to generate savings from purchasing and manufacturing and through improving operational efficiency by reducing selling, general and administrative expenses, while maintaining best-in-class standards in environmental sustainability and social responsibility.

1.4 Group competitive strengths

Schneider Electric is a leader in technology innovation and adapts to changing ecosystems and customer needs.

Technological leadership in energy management and automation

We are developing best-in-class technology in energy management and automation to meet growing customer needs and challenges. We estimate that nearly 80% of our revenue is derived from sales in businesses where Schneider Electric enjoy 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 in our markets. This is achieved through significant investment in research and development, which supports our innovative product offerings and our ability to offer our customers market-leading solutions that seamlessly integrate the different technologies in our portfolio. As a result, our products and solutions meet the needs of our customers for simplicity, connectivity, flexibility, productivity and efficiency. Additionally, through an ongoing dialogue with our customers, we are able to maintain our very high standards of quality and to anticipate the innovation that will help drive our future growth. Thanks to this technological leadership, the Group's major brands are among the most recognized in our industry.

Multiple access channels to a broad and diffuse user base

We work with many types of partners, such as distributors, system integrators, contractors, panel builders, electricians, machine manufacturers and others, as well as with our end customers. The Group has developed the widest network of distribution and direct partners in its industry. This provides us with many access channels to a market comprised of a broad and diffuse user base. These diverse market access channels, which support our model with limited capital investment, help to ensure that we are not dependent on a limited number of large customers.

Success in this industry requires strong, long-term relationships with our distribution partners and end customers and the Group is therefore constantly seeking to enhance the value that we add. For example, we provide training for our partners and participate in industry efforts to improve applicable regulations and safety certifications. These efforts and relationships also help to reinforce our reputation as a trusted partner and allow us to benefit from solid pricing power.

Global reach with a unique local presence

We have operations in more than 100 countries, providing a balanced geographical exposure on a global basis. Due to our large footprint, we are one of the few partners of multinational companies that look for the highest standards of technology and quality for their energy management equipment in all their operations around the world. This allows us to provide an optimal service to our global customers. In addition, we have deep-rooted local presence and strong partnerships in all countries to serve our highly-dispersed customer base. Lastly, with 41% of our revenues in new economies in 2016, the Group believes it is positioned to capture the higher growth potential of these markets. Our presence in many diverse markets ensures that we understand local needs, which assists us in serving our customers in each country with dedicated products and solutions adapted to local requirements.

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 500,000 references and processing 130,000 orders/day. With a strong focus on customer satisfaction and operational efficiency 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.

2. Businesses, end-markets and customer channels

Schneider Electric is organized into four businesses – Building, IT, Industry and Infrastructure – and operates in four principal markets: non-residential & residential buildings, utilities & infrastructure, industry & machine manufacturers, and data centers & networks.

The Group manages multiple market access channels built on strong partnerships.

2.1 Leadership positions in our businesses

Schneider Electric operations are organized in four businesses: Building, IT, Industry and Infrastructure.

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

Low Voltage ("LV") electrical distribution products and solutions address the needs of all end-markets from residential to commercial buildings, spanning across industries, infrastructures and data centers. The offer portfolio is extensive and includes: protection functions (such as circuit breakers), power monitoring and control, power meters, electrical enclosures, busways, cable management systems, power factor correction, products for living spaces (such as wiring devices, network connectivity, home automation and building controls), as well as renewable energy conversion and connection equipment and electric vehicle charging infrastructures.

Building Automation facilitates comfort and energy efficiency in non-residential buildings through automation and security systems, including Heating, Ventilation & Air-Conditioning ("HVAC") controllers, sensors, valves and actuators, programmable regulators, centralized building management systems, space optimization solutions, access control, video cameras and security monitoring equipment.

The IT business: Number 1 Worldwide in Critical Power and Cooling

The IT Business specializes in critical power products and solutions for data centers and other applications where power continuity and quality is essential. The portfolio includes single-phase and three-phase Uninterruptable Power Supplies ("UPS"), plug-in surge protection, IT enclosures, power distribution units, security and cooling systems, services and software management.

The Industry business: Number 1 Worldwide, in Process Safety Systems, Number 2 in Discrete Industrial Automation and Number 4 in Discrete and Process Automation

The Industry 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. It includes hardware, such as distributed control systems, safety shut down systems, field controllers, motion controllers, variable speed drives, motor starters and contactors, human-machine interface ("HMI") operator panels, programmable logic controllers ("PLC"), push buttons and signaling devices and discrete sensors, as well as software for operations management and supervisory control systems. The Industry business has a strong installed base in: Distributed Control Systems and Instrumentation, notably under the Foxboro brand, Safety Systems (Triconex), Drives (Altivar), Sensors (Telemecanique) and PLC's (Modicon), as well as a strong industrial software offer for manufacturing operations management (Wonderware), modeling/simulation (SimSci) and asset management (Avantis).

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

The Infrastructure business provides our customers with the answer to the complex equation of the energy transition. Historically, the Infrastructure scope encompases 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 Infrastructure business is now further articulated around connected products and software for the integrated management of mission-critical infrastructure and Advanced Grid Solutions. Our software suite includes, for example, Distribution Management Software (DMS), 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.

2.2 Serving four attractive end-markets

Schneider Electric serves customers in four principal markets:

- Non-residential & Residential Buildings;
- Utilities and Infrastructures;
- Industries and Machine Manufacturers;
- Data Centers and Networks.

Non-residential and residential buildings

The non-residential buildings market includes public, commercial and industrial buildings such as offices, hotels, hospitals, shopping malls, schools, sports and cultural centers. Because this sector is energy intensive, energy efficiency is key and is subject to new and demanding regulations. Specific requirements have to be met in terms of occupant comfort, safety and environmental friendliness, as do the needs of owners and building managers seeking to reduce investment costs and optimize maintenance and operating costs. Schneider Electric's non-residential customers include end-users, property developers, design firms, systems integrators, panel builders and installers, electrical equipment distributors and building management companies.

In the context of single-family homes and apartment buildings, Schneider Electric's market is driven both by renovation and refurbishment needs, particularly in mature economies, as well as by construction, particularly in new economies. Whether for renovation or construction, the underlying challenge is to reconcile technical constraints, local standards and regulations with consumer preferences. They not only desire comfort and aesthetics, but increasingly, energy efficiency, connectivity, security and monitoring services as well. Residential customers include mainly electricians, architects and decorators, those involved in the home automation industry, lighting and security firms, construction firms, contractors, electrical equipment distributors and large do-it-yourself ("DIY") stores, as well as end-users and home owners.

Utilities and infrastructures

Current global challenges in the utilities and infrastructure market include increasing energy demand, the need for increased energy efficiency to reduce environmental impact, and the development of renewable energy sources on the grid causing more stability concerns. This market also faces changes in regulations, particularly those regarding demand response, and the growing need for security, reliability, and real-time control to ensure efficiency & stability. We believe these challenges provide long-term growth prospects for Schneider Electric. Our main customers in this market include energy operators, water utilities, the owners and operators of transportation and oil & gas infrastructure and municipalities.

Industries and machine manufacturers

Our energy and automation solutions enable us to serve almost all segments of the industries 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 and cloud computing, the physical infrastructure of data centers tends to be increasingly the business of dedicated players with high performance expectations.

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

Distributors account for approximately 45% of the Group's total revenues through an extensive network in 190 countries all over the world.

Schneider Electric works with many different types of distributors: local distributors, electrical wholesalers and generalist distributors such as Graybar, CED Edmunson, Zhongyeda Electric, large international groups such as Rexel, Sonepar, groups of independent wholesalers like Imelco, Idee and Fegime, and IT specialists such as Tech Data and Ingram Micro. In the residential renovation sector, Schneider Electric also sells products through large home improvement chains such as Home Depot and Lowes in the US, Kingfisher in the UK and Saint-Gobain Distribution in France. In addition, the Group uses specialized distribution channels for highly technical products such as automation solutions and industrial software, access control and security products.

Schneider Electric assists its distributors in advising their customers and helping them to benefit from technical innovations. To maintain a high performance network, the Group works hand in hand with distributors on supply chain improvements, technical training and joint marketing actions. Internet tools now occupy a dominant position for sales, and above all, provide up-to-date information. Through the e-Shop, distributors can link Schneider Electric's product database to their e-commerce sites so that customers have reliable 24/7 access to information.

Other intermediaries & partners

Panel builders

Panel builders build and sell electrical distribution or control/monitoring switchboards, primarily for the buildings, energy and electricity infrastructure markets and industry. Their main customers are contractors. Panel builders mostly buy low and medium voltage devices, such as circuit breakers and contactors, and increasingly, prefabricated systems. There are more than 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 the installation equipment and systems and designers.

Electricians & DIY stores

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

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

All of the partners mentioned above contribute their own added value to end-customers, first by advising them on the choice of solutions added that best suit their needs and then by installing efficient systems thanks to a suite of web-based digital tools called "Building Life Management". The main objective for Schneider Electric is to support them in the rapid development of solutions and technologies for the residential market: lighting, temperature and door/window management systems, recharging equipment for electric vehicles and renewable energy solutions.

In order to strengthen a relationship based on mutual trust and added value, Schneider Electric partners actively with contractors, providing technical training and support. To maximize our business impact, we have a multichannel communication model through personal and digital means, thanks to our Partner Relationship Management (PRM) platform.

In this regard, the EcoXpert program aims to secure special partnerships with certain specialized contractors, with whom Schneider Electric shares all its expertise on renewable energy and energy efficiency solutions and services. The EcoXpert network is being developed in many countries throughout the world.

Systems integrators

System integrators design, develop and support automation systems to meet their customers' needs for the performance, reliability, precision and efficiency of their operations. By providing global coverage and local contacts, they offer their clients a high degree of flexibility.

Schneider Electric has considerably expanded its automation line-up, giving systems integrators access to a powerful platform covering all areas of automation, from field control to Manufacturing Execution Systems (MES).

Specialists

To meet their customers' growing demand for comfort, ergonomics and design, specialists (engineers, architects and design firms) are constantly looking for more efficient and better integrated solutions for energy management, as well as for access control, security, and building automation.

They are therefore essential partners for Schneider Electric's growth, notably in the high-potential buildings and residential markets, which include the construction and renovation of single-family homes and apartment buildings.

Schneider Electric provides information and training tools for specialists, such as dedicated showrooms, electrical installation guides, installation design software and training methods.

End-users

Original Equipment Manufacturers

Original Equipment Manufacturers (OEMs) continuously seek to improve machine price/performance and time-to-market in segments ranging from packaging to textiles, conveyors, materials handling, hoisting and HVAC. Schneider Electric is one of the market leader in these segments, and works closely with 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 in particular:

- Automotive, where the Group serves large automotive equipment manufacturers;
- Cloud & Finance, in which the Group provides comprehensive solutions for customers including internet giants, as well as in telecoms, co-location, and finance sub-segments;

- in Healthcare, the Group serves hospitals, clinics, labs, and life sciences manufacturing;
- Food & Beverage, in which the Group serves customers in various types of food processing industries;
- Mining, Minerals & Metals, which includes customers in mining, cement, metals, and other bulk materials;
- Oil & Gas, in which the Group provides integrated solutions and high performance systems, software and services to oil companies and EPCs, from production to processing and supply chain;
- in Utilities, the Group serves companies producing, delivering, and/or selling electricity to customers;
- Water & Waste Water includes customers across the entire water cycle, from water resources to water distribution, sewerage and treatment.

Schneider Electric has established a dedicated organization for global customers, "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:** c.100% of net profit converted into free cash flow.

Across the business cycle capital efficiency targets:

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

At its Investor Day in October 2016, the company also highlighted its growth initiatives, near term business focus and indicated the following financial objectives for 2017-2019:

1. **revenue organic growth:**
   - targeting average organic growth of around 3% over the next 3 years, excluding Infrastructure, with a gradual ramp-up through the years. Infrastructure focus is on profitability enhancement;
2. **improve profitability and deliver organic growth in adjusted EBITA:**
   - a targeted +20bps-50bps average organic improvement in adjusted EBITA margin over the next 3 years driven by organic top line growth, improvement in mix and systems profitability, positive net pricing, industrial productivity and Support Function Costs efficiency,
   - the Infrastructure business is focusing on improving its profitability and its "Rebound" plan is aimed at bringing the adjusted EBITA margin of the division to a "10% to mid-teen" level across the economic cycle,
   - based on the targeted organic growth and the adjusted margin improvement, the Group targets a yearly average +4% to +7% organic growth in adjusted EBITA over the next 3 years,
   - the Group is targeting strong growth in underlying EPS over the next 3 years due to solid organic growth in adjusted EBITA, lower cost of financing, and its share buyback program.

(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 forecasted.
(2) ROCE is defined as: adjusted EBITA after tax/Average capital employed. Capital employed is defined as: Shareholders' equity + Net financial debt + Adjustment for associates and financial assets.

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, to energy management, the Group has undertaken significant changes in its operations throughout its history.

1836-1980: a Family Business becomes a Major Player

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

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

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

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

1999: Schneider Group acquired Lexel, one the largest Europe's suppliers of installation systems and control solutions. In May 1999 the Group has been renamed Schneider Electric, to clearly emphasize its expertise in the electrical field.

Since 2002: a Strategic Transformation

At the turn of the **2000s**, Schneider Electric radically rethought its growth strategy, setting itself three goals:

- ensuring a more balanced exposure to its strategic end-markets;
- enhancing its portfolio of historical operations (electricity distribution, automation and industrial control) with adjacent and synergetic businesses in order to boost its organic growth potential; and
- anticipating the future energy requirements of companies and individuals.

This strategy led Schneider Electric to conduct a number of strategic acquisitions both in mature countries and in new economies targeting companies offering complementary products and solutions.

4.2 From Power & Control to Energy Management 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 to develop energy efficiency and smart grid.
- With the acquisition of Telvent in 2011, a Spanish software company with a strong presence in North America, we became global leader in ADMS (Advanced Distribution Management Systems), supporting the monitoring and management of large electrical distribution networks.

Developing a global leader in Industrial Automation and Control

- We have been a long time leader in discrete automation through our Telemecanique brand.
- We reinforced our Industrial Automation & Control portfolio with the acquisition of Citect in 2006, RAM Industries in 2008, Cimac and SCADA group in 2010 and Leader & Harvest in 2011.
- In January 2014, we closed the acquisition of Invensys plc. This strategic move allows us to enter the process automation world and reinforces our position in integrated industrial automation and electro-intensive segments.

Building a global leader in Critical Power

- We identified Critical Power as a key technology for our portfolio and gained majority control of MGE UPS in 2004.
- We became a world leader with the acquisition of American Power Conversion (APC) in 2007, the US-based world leader in single-phase and three-phase UPS with operations on all continents and USD2.5 billion in revenues.
- We expanded our operations in new economies with the acquisition of UPS manufacturer Microsol Tecnologia in Brazil in 2009 and the acquisition of APW in India in 2011.
- In 2011, we broadened our portfolio with cooling offers from Uniflair, data center services from Lee Technologies and backup power storage from Luminous.

Creating a major player in Building Automation & Security

- As the result of several acquisitions, in particular TAC in 2003, Andover Controls in 2004 and Invensys Building Systems in 2005, we became a major player in building automation.
- We entered the video security market in 2007 with the acquisition of Pelco.
- In recent years we have further developed our operations in mature countries, in particular through the acquisition of two pioneering French companies in 2010: Vizelia, a provider of software that monitors the energy consumption of buildings in real time, and D5X, a specialist in solutions optimizing the use of commercial buildings.
- The acquisitions of Summit Energy (2011) and M&C Energy group (2012) increased our expertise in energy procurement services.

4.3 Recent external growth

In 2015 and 2016, Schneider Electric further optimized its offer portfolio to strengthen its focus on core businesses and drive the Group's performance:

- in October 2015, Schneider Electric reached an agreement to sell Juno Lighting to Acuity Brands. Juno is a North American supplier, specialized in recessed and track lighting fixtures, in both residential and commercial sectors. Schneider Electric finalized the sale in December 2015;
- in April 2016, Schneider Electric finalized the sale of its Transportation business to Kapsch TrafficCom AG. The Transportation business targets major cities, highways and infrastructure operators in the world. It offers a large range of solutions and services in the areas of traffic, tolling, tunnel and transit, which make mobility more efficient, safe and sustainable.

4.4 Change management through company programs

"Schneider is On", Schneider Electric's company program (2015-2020)

***"Schneider is On"*, Schneider Electric's company program for the 2015-2020 period, is yielding strong results.**

The company program is structured around five initiatives to deliver more value to customers and shareholders:

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

   The Group aims in this initiative to bring more value to customers and more business to partners, a better intimacy and an access to specialists, a consistent project execution and a unique and flexible delivery experience.
2. **Simplify the operations for increased efficiency**

   Simplifying work and operations makes the difference to the customers. The Group targets to simplify its management setup to make the company leaner, further increase supply-chain productivity, optimize R&D efficiency and solution execution and increase sales force efficiency. Overall the Group targets to generate by the end of 2017 c. EUR1 billion of industrial productivity and c. EUR 0.7-0.8 billion gross [(1)] SFC savings by 2017.
3. **Digitize for customers, for efficiency and simplicity**

   The Group's offers will be more connected, enabling new services and improving its customers' life. The digital customer experience will be improved to deliver an end-to-end simple and intuitive partner and customer experience.
4. **Innovate to support growth**

   The innovation will focus on delivering the right products and solutions for customers in a focused and short timeframe. In addition, Schneider Electric will continue to be a partner of choice in sustainability in its innovations and its operations and will be measuring its progress through the Planet & Society barometer 2015-2017.
5. **"Step Up" people**

   This initiative is focusing on increasing the competency of Schneider Electric employees through stronger collaboration, enhanced training and a culture of high performance while continuing to have a strong engagement for diversity and workspace satisfaction.

2016 marked the second year of the Group's "Schneider is On" company program, in which the following achievements were disclosed:

Within our Do More initiative:

- c. +1% organic growth for the Group excluding Systems & Transformers;
- Systems Gross Margin up ~+40bps (~+70bps before FX) thanks to grater selectivity and better execution;
- Services are up +5% organically in 2016;
- Global Strategic Account Orders up mid-teen.

Within our Simplify initiative:

- c. €620m Gross Support Function cost reduction plus industrial productivity in 2016 (c. ~€1.3bn since 2015).

Within our Digitize initiative:

- The number of connected assets increased +15% vs. 2015;
- Unique connected customers, +40% since 2015.

Within our Innovate initiative:

- Numerous key launches of products, control platforms and software within EcoStruxure.io;
- Planet & Society Barometer reached 8.48/10.

(1) Before inflation and reinvestment.

5. Research & Development

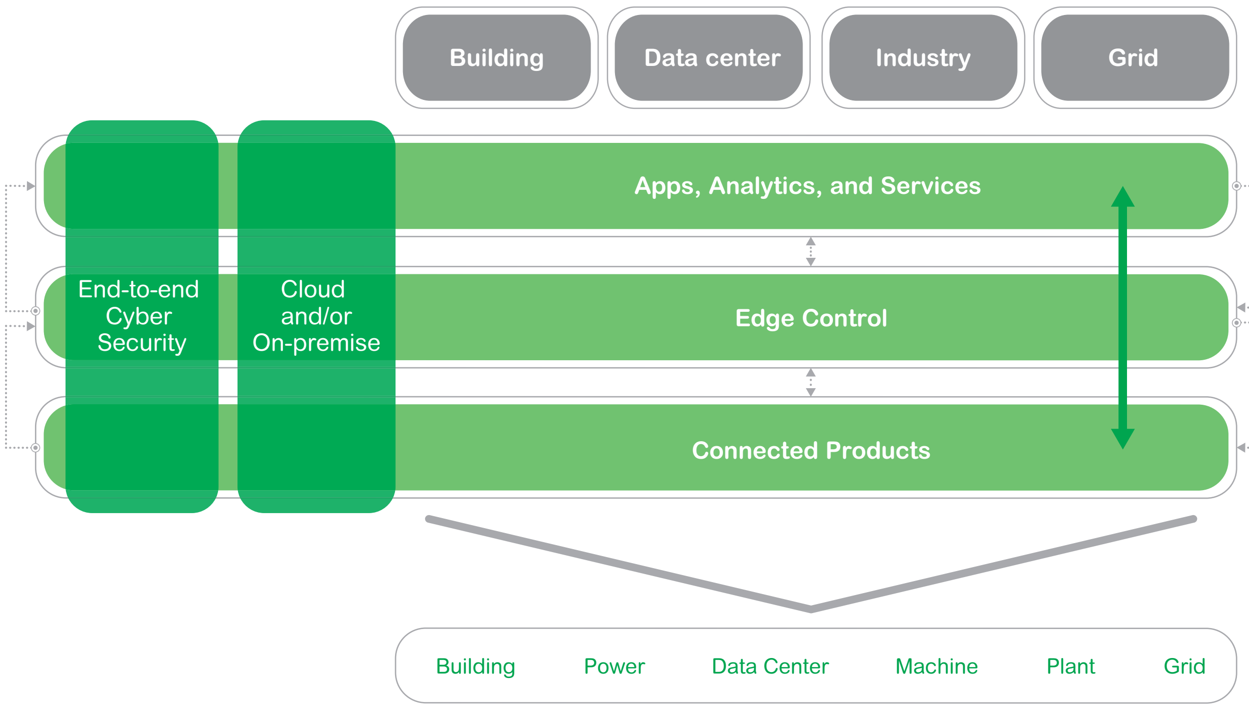
Innovation is the key to our company's growth. Schneider Electric has had a history of innovations over the past 100 years.

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. During 2016 we launched EcoStruxure™ which is the Schneider Electric IoT-enabled open and interoperable system architecture and platform delivering enhanced value around safety, reliability, efficiency, sustainability and connectivity for our customers.

By definition, 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 with five emerging technology transformations that accelerate our capacity to converge OT and IT systems: mobility, cloud, sensing, analytics and cybersecurity. With EcoStruxure™, we have leveraged 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 three core capabilities: (1) enabling technologies for embedded connectivity and intelligence, (2) building blocks for smart operations, and (3) the infrastructure for cloud-connected digital services.



During 2016 the Group launched more than 300 innovative offers across its Businesses: Building, IT, Infrastructure and Industry. The 25 most significant launches were highlighted during our first ever Innovation Pulse in Singapore in September 2016, such as MasterPact MTZ, Galaxy VX, Premset, and Wonderware Online.

In 2016 several technology leaders participated in a study of Lessons Learned on R&D Projects about how to innovate faster and better at the core:

1. Improve Customer Intimacy and Insights with evolved Offer Management practices;
2. Improve Accountability through improved Project Management and Governance;
3. Improve R&D Culture and Leverage R&D Competencies to live with the R&D Footprint diversity and complexity;
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. Set up Strategic Portfolio Management consistent with Strategic Initiatives and Big Bets;
7. Practice Open Innovation with Startups and Universities;
8. Co-R&D with Partner Companies.

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

In the rest of the chapter we will provide a progress update of our innovations in different areas at Schneider Electric: (1) Legeraving technological advances, (2) Delivering truly innovative solutions, (3) Improving the efficiency of R&D, (4) Grow through Innovation, (5) Financing innovative start-ups.

5.1 Leveraging technological advances

Emerging trends that appeared in the last five years, like the Internet of things ("IoT"), digitization and IT/OT convergence, are now shaping Schneider Electric's R&D strategy and investments. They are impacting the way products and systems are architected, developed, delivered and serviced, with significant value added for our customers.

Digitization and IoT

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

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

All of the smart sensors rely on technology platforms providing proven components whether for the physical measure, data processing, power supply or harvesting and wireless transmission. On the latter topic, long-range radio technologies like LoRa and SigFox have received specific attention over the last 2 years, leading to the first deployments by the end of 2015.

R&D efforts are now focusing on the ease of deploying and running large networks of such sensors and the scalability and security of the infrastructure needed to harness the data coming from these networks. The cloud based Digital Services Platform, was developed by Schneider Electric over the last four years to address these two challenges. Dozens of pilots are underway with business units and external partners, leveraging a library of analytics modules developed in the context of the Operational Intelligence program. Using mobile technology, the insights delivered by these analytics are packaged into simple, yet powerful, "context aware" applications. Thanks to geo-localization, the information can literally find its way to the person needing it most, depending on where he/she is. Once advised, another set of mobile based applications, including augmented reality, further guide the user to transform these insights into action.

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

Optimization and Analytics

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

Technology anticipation addressed different types of actions:

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

Modeling and Simulation

Regarding lifetime cost, the design phase of industrial projects plays a critical role in reducing both time and cost of system deployment. Invensys, acquired by Schneider Electric in January 2014, is a leader in the simulation of complex continuous processes, such as refineries or chemical plants. During the design phase, the plant can be simulated to optimize its design, validate its performance and start operator training before it is even built. The IT Division has developed a similar set of tools for data centers, including 3D thermal simulations to validate the design of the cooling system.

R&D teams are working to generalize this offering to any kind of industrial system, including large and complex buildings like hospitals, in partnership with the leading CAD/CAE suppliers in these domains. Filling the gap between design and operational systems will not only decrease design-and-build costs but also those linked to maintaining and developing systems over the 30+ years' life expectancy that is common in some industries.

Within five years, one can expect that industrial systems will be developed like modern software, starting from a model of the process, followed by a simulation based on this model, developed and tested "against" the model and finally deployed on totally standardized hardware.

This vision connects to the next generation EcoStruxure™ announced on November 2016. Its three layers of technology innovation are concerned by the leading edge competencies of Schneider-Electric on Modeling and Simulation. The first layer, addressing the Connected Products, takes benefit of the Modeling and Simulation at the heart of the design by providing an extended capability of integration, verification and validation. The two next layers, respectively the Edge Control layer, and "Apps, Analytics and Service", will differentiate their offer thanks to the Digital Twins and Surrogate models. In 2016 Schneider-Electric has reinforced its advanced skillset on these two new uses of the models.

Beyond the Digital Twin is the concept of Cyber-Physical Systems...the embodiment of Industry 4.0. When a physical system is connected in a symbiotic relationship with its virtual representation, the resulting interconnected system becomes a single "cyber-physical system". At the Internet of Things Solutions World Congress in Barcelona, in 2016, Schneider Electric provided an interactive experience in which users could view health and status data from a set of orientable solar panels, receive training in installation and field maintenance procedures, and even control the physical orientation of the array.

The cyber-physical system is innovative and distinguished from existing solutions in the augmented reality space because its bi-directional communication truly blends the virtual and physical worlds, not just pixels. It is made possible by synching a system model (or any of its submodels) to the model-based system it represents, such that any state change in the model is reflected in real-time in the system and *vice versa*. During the design process, data elements within the system model that influence system state are identified. These key data points are modified to accept external input that overrides simulation input. Similarly, sensors and actuators are placed on corresponding real-world interfaces and are set to accept simulation stimulus as override.

5.2 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

Residential

Moving towards embedded, metering everywhere in the electrical panel, we introduced Powertag, an innovative offer able to measure any power consumption, to within 1% precision. This is available for retrofit as the form factor is compatible with all circuit breakers whether one phase or three phase. This is embracing the IoT world where measure is the core and where connectivity and cloud services will bring more added value to customers. The core technology of this sensing offer is protected by numerous patents.

Arc Fault Detection devices are rapidity becoming more widespread, driven by theUS market. These provide is a way to reduce electrical fires. Mandatory in the US and soon the IEC world this will lead to electrical safety in every home for a increased peace of mind.

Non-Residential

Facility Hero and Facility Insight are 2 software offers that are bringing facility managers a new way to monitor their assets. This cloud based software available on mobile devices allows measurement, monitoring and alerts, allowing the facility manager to get the best out of the assets and ensuring a better quality of services.

The opening of the Edge building in the Netherlands is the best illustration of advanced building technology. It manages to combine shows element of electric distribution, energy storage and advanced control in the profitable energy solutions for apartment building and the workplace.

Utilities & Infrastructures

Low voltage electrical distribution panels, in addition to ensuring the safety of the assets they power, collect a large amount of data that can be used to optimize their performance. For example, analyzing the frequency of a motor's electrical feedback can allow detection of wear and the potential failure of its bearings or the equipment powers. Thanks again to the low cost of the IoT platform, every distribution panel shipped by Schneider Electric or its partners is now connected to the cloud. Data and process experts collaborate to analyze the patterns in the data coming from the panels to come up with novel ways of optimizing their performance. Once developed in the cloud, the corresponding algorithms will be optimized and implemented in the smart meters and breakers built into the panel, thus making it smarter and smarter. The remote connection of distribution panels to the platform enables services such as demand response, allowing the aggregation of multiple buildings and/or factories into significant capacity units that utilities can call upon at peak times.

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

Industries & Machine Manufactures

As End Users and OEMs re-examine their automation and operation management strategies to take advantage of the Industrial IoT, enable operational excellence and improve overall business performance, EcoStruxure™ architectures for Machines and Plants play a key role in managing convergence between informational technology and operational technology through connected products, edge control and applications, analytics services while ensuring cyber-security.

Eliwell by Schneider Electric is the first on the market to offer a plug & play remote monitoring solution for cold refrigeration. Televisblue offer takes the best of IoT to connect controllers and to monitor small and medium supermarkets through a web interface: overall monitoring of multiple installations from one place, at any time available within a few minutes of installation thanks to its pre-activated starter kit.

Eurotherm by Schneider Electric introduced the groundbreaking Eurotherm Online Services. Offering real-time compliance status access and certificates from anywhere, anytime. EOS Advisor allows you to manage your equipment and staff more efficiently with one integrated system that meets all your compliance requirements and the EOS tablet application for calibration (eCAT™) improves the consistency of your calibration process.

The Maintenance Response Center is new software within the Foxboro Evo™ Process Automation system that provides decision support to maintenance supervisors and their teams. It offers plant-wide insight into the health and performance of physical assets and the context to understand how to take the best course of action. The Maintenance Response Center offers a single window of easy access to the most up-to-date information on plant-wide asset conditions. Maintenance teams are notably provided with early visibility and insight into asset condition to drive a proactive maintenance approach that maximizes operational efficiency.

Vijeo 360, our 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.

Cybersecurity concerns continue to expand in the Industrial sector, with directed attacks creating losses for companies and disruptions for general citizens, 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, Industry Business continues to increase the security and differentiation of its offers, with certification of 2 additional products to IEC 62443, an expansion of security on specific offers such as PLC certification for use in the Chinese power sector and an expansion of specific product features to create market leading devices (drives, PLC's, signed software) while also ensuring security of the IIoT space with secure cloud and remote access offers.

Our strategy of combining improved offer security with best-in-class offers from partners continues with McAfee and Observable networks being added as cybersecurity partners within the Collaborative Automation Partner Program as well as some work starting with other start-up or small companies.

Data Centers & Networks

Large (> 2MW) data center builds are seeing the highest growth in this segment as Internet Service Providers continue to add capacity to support "Big Data" workloads and enterprise digital transformation efforts. These include centralized public cloud data centers, as well as regional public clouds that are housed in colocation facilities in urban areas. Schneider Electric specializes in power, cooling, rack and infrastructure and building management solutions that optimize energy and operating costs for data center operators that also demand reliable systems that can easily scale as their workloads increase. Riding the wave of data center builds in this range, next generation versions of industry leading Air Economizer cooling and 3-Phase Galaxy UPS offers arrive to the market this year, providing unique energy efficiency and power scalability features. Large UPS lifecycle costs and physical footprint is further minimized as more and more offers become available with Lithium-ion batteries.

To meet the rapid deployment challenges of our hyperscale web services and colocation customers, Schneider Electric is making investments in its prefabricated data center solutions business with new, dedicated manufacturing sites to greatly reduce lead times and to increase its ability to customize solutions to user requirements. Further, a next generation infrastructure innovation called HyperPod will launch to provide a fully contained and secure architecture for rack-based IT deployments, providing fast installation and flexibility to scale.

While data storage and performance processing applications are handled by cloud-based services, requirements for low latency, regional 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 will expand its range of packaged micro data centers that can be populated with computing equipment and shipped to the site as a turn-key solution. The latest version of these micro data centers, developed in partnership with Hewlett Packard Enterprise for edge applications, was announced this year earlier.

Data center operations services continue to be a growing need for the Group customers and Schneider Electric has taken major steps in expanding service offers to provide the benefit of reduced response time through automation of systems.

5.3 Improving the efficiency of R&D

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

The Group is also building a Model Based Systems Engineering (MBSE) framework including processes, tools and data models for Schneider Electric. This MBSE framework enables the application of advanced modeling techniques throughout systems engineering stages to represent and test dynamic and static properties of a system. Starting with customer requirements expressed by marketing, a model of the product and/or system is developed. This model can be used to generate mockups that can be validated and can evolve with customers before any R&D is committed.

The validated model then becomes the reference from which the mechanics, electronics and software design team can work in parallel. From the model, engineers can query libraries of reusable components, developed on the technology platforms now common to all businesses, thus accelerating projects while reducing risks. Successive versions are tested against the model, and again with customers, ensuring that final integration and testing will go smoothly.

Initial proofs of concept have confirmed the potential of MBSE by demonstrating complete traceability from Stakeholder Needs to Code as well as demonstrating advanced verification techniques for correctness and coherency of system models. In 2017, pilots are under way that will finalize the systems engineering platform that will enable world class systems design and test capabilities for all of Schneider Electric.

In order to support the Digitization of Schneider Electric, the IT function is adapting its operating model to be more flexible and business value driven. On this journey, Schneider Electric is implementing end to end IT services aligned with identified business capabilities required for new products, solutions and services development. End-to-end IT services directly support one or more business capabilities by providing all the IT platforms, technologies, processes, information, and IT support required. IT – Business collaboration is evolving due to greater business partner diversity and digital maturity, a wider range of IT activities beyond technology delivery and a broader range of business opportunities in all functions. Ensuring better alignment of IT services with business priorities will improve global R&D efficiency.

5.4 Growth through Innovation

The Growth through Innovation program, which started in 2015, to accelerate innovation and time to market, to make selective, focused R&D investments, and to out-innovate our competition has accelerated the transformation in 2016 through 5 main streams:

1. we finalized the transformation of Offer innovation practices to boost Innovation in Core & Adjacent offers (Voice of Customer and Lean Innovation methods);
2. we sought to speed up open Innovation with our Eco-System (universities, start-up companies, suppliers, and partners) and identified 20 Open Innovation projects in 2016;
3. we started introducing lean practices in Product Offer Development and finalized the agile deployment in Software Offer Development;
4. we designed a tailored Launch process for hero Offers and started the transformation of the Offer LAUNCH practices from a "Time to Market" to a "Time to Profit" approach;
5. we deployed new practices in Projects portfolio Management to rebalance between horizons 1, 2 and 3, and be selective, focusing on the best growth opportunities.

To support this transformation, we started a change management plan to educate the Offer Creation actors and managers in the innovation culture:

- project Managers empower, train and hold teams accountable;
- all functions of Offer Creation projects (offer marketing, engineering, industrialization, etc.) practice the best-in-class innovation methods (ideation with crowd sourcing, experimentation with Design Thinking, 3D proof of concept and lean start-up).

5.5 Financing innovative start-up

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 fund to finance innovative start-ups operating within the areas of energy, new materials and the environment. This second fund received a capital subscription of EUR105 million, from Schneider Electric (EUR40 million), Alstom (EUR30 million), Solvay (EUR15 million) and in 2012 from the European Investment Fund (EUR20 million), a benchmark financial partner in Europe.

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 the environment 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 2016, five new investments have been realized, joining the first 14 companies already in the portfolio, including Lucibel (FR), Iceotope (UK) and Digital Lumens (US).

After having successfully exited from Solairedirect (acquired by Engie in 2015), Aster's first fund still holds a few equity interests, notably in Agilence (US), Jet Metal Technologies (FR) and Casanova (FR).

Customer Matrix – USD2.0 million investment in January 2016

Customer Matrix and its Cognitive Computing enterprise software solution helps complex organizations to generate more sales opportunities from their own customer base and rapidly generate more revenues. They have already a top tier global set of customers across the US, Europe and Asia and will use the latest round of investment to continue their expansion across the financial sector while exploring new opportunities in the OEM/IOT space. Customer Matrix is headquartered in NYC and has its R&D centre in Paris. The company was founded in 2013.

EnTouch Controls – USD1.5 million investment in February 2016

EnTouch Controls offers a wireless light Building Management System primarily to multi-site Small and Medium Businesses (SMBs). The company has built momentum with successful deployments into thousands of sites with a growing list of national customers and partners. The company was founded in 2008 and is based outside of Dallas in Richardson, TX.

FinalCAD – EUR4.0 million investment in July 2016

FinalCAD has developed a mobile software solution to bring the Building Information Modelling on the ground and help the construction industry turn digital (quality control, defect management, etc.), adding on top of this a prediction and analytics layer. This French company was founded in 2011 and already has about 600 active worksites.

OpenDataSoft – EUR3.5 million investment in October 2016

OpenDataSoft has developed a SaaS solution that solves a key problem for large organizations: collect and share data. Their customer base comprises public administrations and private companies that need to increasingly share data between different departments or with external partners to enable better operations and/or more services. OpenDataSoft is a French company that has been created in 2011 and that sells to customers in Europe and the US.

ekWateur – EUR0.8 million investment in November 2016

ekWateur is a French alternative energy retailer (renewable electricity and natural gas) which provides its customers with green electricity in a collaborative and innovative environment. In the past 12 months, ekWateur has been able to meet all regulatory requirements to become an energy retailer in France, to build a scalable organization and to attract first customers with differentiated marketing.

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 three levels:

- by identifying emerging trends and weak signals which may have an impact on markets, customers and/or future Schneider Electric business, and sharing them on a regular basis with the leaders within Schneider Electric;
- by introducing about 300 start-ups each year to Schneider Electric teams within relevant countries, businesses and corporate departments; and
- by publishing market analyses that are presented to Schneider Electric teams. This year once again, more than 20 topics related to the energy and environment sectors 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 even easier access to all of these resources, information and databases.

6. Organizational simplicity and efficiency

Schneider Electric's profile has undergone an unprecedented transformation in the past decade to become a global specialist in energy management.

Under the One company program (2009-2011), the organization was redesigned to better serve its customers. This transformation continued with the Connect company program (2012-2014) as we refined our organization to improve cohesion, while initiating our digital transformation journey. Now with the current company program, *"Schneider is On"* (2015-2020), we will leverage these organizational simplifications and further empower our team members towards growth.

6.1 A customer-focused organization

Dual orientation – technologies and end-markets

Schneider Electric is organized into four business segments. Each business segment is responsible for specific technologies and addresses targeted end-market segments. The organization was designed in order to support our two business models: products and solutions. Selling products requires clear technological leadership, while selling solutions requires close customer relationships and a deep understanding of end-users' needs.

- **Building** business scope includes low voltage, building automation and renewable technologies.
- **Infrastructure** business scope includes medium voltage and grid automation technologies.
- **Industry** business scope covers industrial automation, control and sensors technologies.
- **IT** business scope covers critical power and cooling technologies for data centers as well as non-IT applications.

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

A number of back-office functions such as Finance, Human Resources, IT systems and Global Marketing are handled by the Global Functions, which have a governance role and provide services internally.

Rationalization and optimization of synergies

The organization is deployed in accordance with three key concepts: **specialization, mutualization and globalization.** Specialization mainly concerns sales and front-office operations. Mutualization covers local back-office operations at the country and regional level. Globalization concerns the seven support functions, now known as Global Functions:

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

A substantial portion of the Global Functions' costs are re-allocated to the businesses using distribution keys or application bases that are generally defined annually:

- **Specialization:** in each country, each business has its own sales force and local leader as soon as it reaches critical mass. It also has a specialized front office in each host country to respond more effectively to customer demand for specific expertise. Each business segment is also responsible for its overall results, both for product sales (in its business lines) and the implementation of solutions (especially for end-market segments within its scope). As solutions can consist of products coming from different business segments and in order to define a single point of contact for customers, each business segment is responsible for solutions in certain defined end-markets. Business efforts have focused on implementing and strengthening existing teams dedicated to meeting the specific needs of these strategic customer segments with a strong focus on the collaboration between the business lines, in order to ensure these customer's needs are met as fully as possible.
- **Mutualization:** the business is organized around Organizational Regions: North America, China, France, Europe and the Rest of World which is comprised of seven international zones (South America, Africa, Middle East, CIS, India, SE Asia-Pacific). Each of these regions have empowered Zone Presidents and Country Presidents, which are appointed in each country to be the custodians of 4 Businesses in their countries: Industry, Infrastructure, Building and IT, including Field Services. In addition, they are responsible for monitoring the full transversal P&L of the country, deploying Schneider Electric's strategy in the country (including all local cross-functional topics such as increasing cross-selling among businesses) and pooling the local back-office resources. These resources are gradually brought together in each country or region under the Country President's supervision and can include multiple local support functions ranging from administration to project execution, depending on the situation. In addition, the Country President

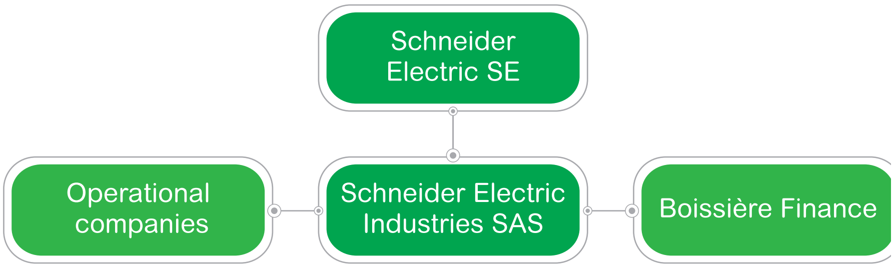
serves as the mutualization driving force and Schneider Electric's main representative in the country, most notably in dealings with employees and local officials.

- **Globalization:** major support functions that are not specific to a given country or business are gradually globalized to increase experience and leverage a significant scale effect around cost and service. Manufacturing and supply chain operations, areas of shared services or expertise (such as finance or Human Resources), information systems, Group Strategy, Technology and global marketing functions are now included within the Group's Global Functions. The global Supply Chain continues to focus on the areas of global productivity, customer differentiation and customer satisfaction.

Geographic dimension and legal structure

The Group's goal is to establish, 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 210 plants and 95 distribution centers around the world. Customer satisfaction is its top priority.

While working constantly to improve occupational health and safety and environmental protection, Schneider Electric's manufacturing policy aims to fulfill four key objectives, in order of priority:

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

A number of the production facilities and distribution centers are dedicated to the global market. The other units are located as close as possible to their end-markets. Although design and/or aesthetic features may be adapted to meet local requirements, Schneider Electric standardizes key components as much as possible. This global/local approach helps Schneider Electric maximize economies of scale and optimize profitability and service quality.

Drawing on its global scope, Schneider Electric is constantly re-balancing and optimizing its manufacturing and supply chain resources.

Continuous improvement on a global scale

At the same time, an industrial excellence program called Schneider 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 objectify the environmental added value our solutions offer them (energy CO_2 efficiency, lifetime and repairability, 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 verticalization 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.

For the supply chain, this approach aims to synchronize suppliers and plants through distribution centers and carriers to improve service to customers. Many programs have been launched in order to offer new features and improve responsiveness in relation to market demand supported by new technologies.

Supply chain optimization will benefit from the flow model, combined with the integration of the IT systems of our logistics partners with cloud technology. Similarly, a partnership with Kinaxis will enable the "digitization" of industrial planning and extend the scope. This technology facilitates interaction loops between the different functions and improves our responsiveness to customers 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 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 2016, Gartner, a leading IT research and advisory firm, ranked Schneider Electric's supply chain 5th in Europe and 18th worldwide, an improvement of 5 and 15 places respectively in 1 year and up 17 and 48 places respectively in two 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 Chapter 3.9 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 41% 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 3.9 Internal control and risk management). The Group also has the necessary competencies to manage these risks, mainly through our central functions (finance, legal, tax and customs).

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 cyber-security. A Group-wide initiative aims at developing common control technologies, leveraging such advances as "controller on a chip", resulting in smart and open products that are "natively" secure. More and more, the development of products goes hand-in-hand with the development of life-cycle services leveraging web connectivity to deliver superior lifetime value to our customers. Such services not only open new recurring revenue opportunities for Schneider Electric, but reinforce the Group's competitive position *versus* potential new entrants.

The increased software content of the Group's solutions has resulted in specific investments in the area of user experience. The standards and techniques developed for software solutions apply readily to smartphones and allow development teams to seamlessly complement products and solutions with state-of-the-art mobile applications.

Regarding cyber-security, a specific investment program has been launched to develop 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 8400 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 2016 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 7.3% at December 31, 2016, stable compared to the 2015 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 Building, Infrastructure, Industry and 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 on 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 area 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 through learning and identifying talent within the organization.

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 new relation between employees and the company. The cornerstone of this ambition is the experience of the employee throughout his/her journey at Schneider Electric, from joining to leaving. The People Strategy aims to create a culture that is a differentiator for its clients: focused on speed, customer service and easy to do business with. This is achieved thanks to our focus on learning, openness, transparency, and inclusiveness.

In this framework, the Human Resources Function is valued as a backbone of support for the business, 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 instrumental if we want to keep on meeting the expectations of our customers through ongoing innovation. Our multi-polar organization with senior leaders in every continent has been created to facilitate the growth of talents in every part of the world.

The Group's acquisitions and growth ambitions have increased its global presence and internationalized the profile of its workforce. This, plus company reorganizations, 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 introduced a global Diversity & Inclusion policy in 2014 and in 2015 joined the United Nations Women HeForShe movement as an extension of its commitment with gender diversity.

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, we want our people to take ownership for their development and growth at Schneider Electric and for this purpose, they have access to a talent management system and development opportunities.

At Schneider Electric, we are immersing our employees in a culture of 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 personal development while leveraging high tech digital solutions to accelerate their time to knowledge in all places of the organization. As a result, employees understand that learning and teaching is everyone's responsibility.

The Schneider Electric workforce is recognized as a high performing global team that has fun at growing the business of the company and beating the competition. The Group nurtures an environment where employees are receiving 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. For this reason in 2015 it kicked off a company-wide 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 engaging work environment.

Having employee engagement at its heart, the Group has for the past few years regularly sought both blue and white-collar feedback through bi-annual company-wide employee engagement surveys. Listening to our employees and acting upon their feedback is a key pillar of our HR Strategy and actions.

These employee engagement efforts support employer branding initiatives; the Group's Employer Value Proposition (EVP) enables HR professionals and leaders to become talent scouts, building a 'talent mapping' capability and a proactive external pipeline. By actively reaching out to prospective employees through social media platforms and events for targeted groups, it has continued to gain accolades as an "Employer of Choice".

Work continues to be done in these and other areas so that HR is equipped to effectively deliver its employer value proposition and further support the Group in its future endeavours.

7.2 Industrial and environmental risks

Defective products or design flaws may cause bodily harm or property damage and subject us to product liability claims and other adverse effects

Despite its testing and quality procedures, the Group's products might not operate properly or might contain design faults or defects, which could give rise to disputes in respect of our liability as seller or manufacturer, notably in Europe, where liability related to defective products could lead to a loss of revenue, claims under warranty and legal proceedings. Such disputes could reduce demand for our products or harm our reputation for safety and quality. To prevent or limit these risks, Schneider Electric immediately recalls products if there are any doubts whatsoever that a product or one of its components is not 100% safe for people and/or equipment.

As in 2015, no broad product recall was begun in 2016.

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

Provisions for product risk totaled EUR452 million as of December 31, 2016 (see note 23 to the consolidated financial statements).

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

Our plants and products are subject to extensive and increasingly stringent environmental laws and regulations in all countries in which we operate.

To limit risks related to the environment, the Group is involved in a process to continuously improve the environmental performance of its plants and industrial activities, as well as in a review and follow up of possible environmental risks. In 1992, Schneider Electric issued a formal environmental policy. This policy is designed to improve production processes, promote eco-design, and integrate customer expectations into our environmental protection approach. This policy also aims to identify, assess and prevent environmental risks, in order to guarantee full compliance with all environmental laws and regulations applicable to the Group's businesses, particularly those in force in the European Union and considered as quite stringent (*e.g.,* those applicable to our Products, such as WEEE, RoHS and REACh Regulations). Regarding industrial activities, the Group decided to deploy ISO 9001, ISO 14001, OHSAS18001 management systems, globally. An Integrated Management System (IMS) is being deployed, bringing together these three management systems and this helping to drive efficiency and effectiveness. Moreover, already more than 90 sites have implemented an ISO 50001 Energy Management System. The Group records environmental provisions when the risks can be reliably measured, or it is likely that clean-up work will have to be performed and related costs can be reasonably estimated. Provisions for environmental risks related to the Group's sites, totaled EUR340 million as of December 31, 2016. If no risk has been identified in a given location, Schneider Electric will not estimate the financial cost of environmental risks. We expect our costs on environmental compliance programs to increase as a result of changes to existing environmental regulations and the introduction of new regulations.

There can be no guarantee that Schneider Electric will not be required to pay significant fines or compensation as a result of past, current or future breaches of environmental laws and regulations by companies that are currently or were previously members of the Group. This exposure exists even if the Group is not responsible for the breaches, in cases where they were committed in the past by companies or businesses that were not part of the Group at the time.

Schneider Electric may also be exposed to the risk of claims for breaches of environmental laws and regulations. Such claims could adversely affect Schneider Electric's financial position and reputation, despite the efforts and investments made to comply at all times with all applicable environmental laws and regulations as they change.

If Schneider Electric fails to conduct its operations in compliance with the applicable environmental laws and regulations, the judicial or regulatory authorities could require the Group to conduct investigations and/or implement costly clean-up measures to deal with the current or past contamination of current or former production facilities or off-site waste disposal facilities, and to scale back or temporarily or permanently close facilities in accordance with the applicable environmental laws and regulations.

Finally, the Group may be exposed to new risks related to recent acquisitions. In application of IFRS rules, these risks are assessed in the framework of the allocation of the purchase price, as specified in note 2 to the consolidated financial statements.

By way of illustration of the above statements:

On April 1 2016 Schneider Electric UK was prosecuted by the Environmental Agency in Basildon Magistrates Court and fined circa. EUR26 K in relation to an Environmental incident that occurred in 2013. The incident, which occurred on June 10, 2013 and the resultant prosecution are related to an uncontrolled release of 15.38 kg of Sulphur Hexafluoride gas (SF_6) that occurred during the installation of Gas Insulated Switchgear, on the London Gateway Project.

As part of a Pennsylvania settlement with the US Justice Department, EPA and the Department of Environmental Protection, Schneider Electric USA, as the current landowner, agreed to pay a USD 6,8 million penalty as a result of alleged failures between 2008 and 2012 in operating a groundwater pump "and treat" system installed at Rodale Manufacturing Superfund Site (Emmaus, Pa.) USA, resulting in uncontrolled emissions of air pollutants during clean-up operations at this site due to historical industrial pollutions since 1930. The facility was acquired by Square D Company in 1975, which was, in turn, acquired by Schneider Electric Group in 1991.

Schneider Electric USA addressed the problem in 2013 by replacing the groundwater treatment system, which, now performs to the satisfaction of the Environmental Protection Authorities.

7.3 Information systems risks

The Group operates, either directly or through service providers, a wide range of highly complex information systems, including servers, networks, applications and databases, on premise and in the cloud, that are essential to the efficiency of our sales and manufacturing processes. Failure of any of these hardware or software systems, a fulfilment failure by a service provider, human errors 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 particular, in the last few years, the Group has developed ERPs systems under SAP, which it started to roll out in 2008. This roll-out process has been carried out fully or partially in a number of countries since 2008, and is continuing in France, the United States and other countries.

In addition to the deployment of ERP systems, the Group is deploying various applications aimed at enhancing commercial, employee and supply chain efficiency.

In view of these projects' complexity, extensive functionalities and their worldwide deployment, the Group has set up dedicated governance and cost control structures to manage these issues and limit the related risks.

However, despite the Group's policy of establishing governance structures and contingency plans, there can be no assurance that information systems projects will not be subject to technical problems and/or execution delays. While it is difficult to accurately quantify the impact of any such problems or delays, they could have an adverse effect on inventory levels, service quality and, consequently, on our financial results.

7.4 Market risks

Interest rate risk

The Group is exposed to risks associated with the effect of changing interest rates in different countries. Interest rate risk on borrowings is managed at the Group level, based on consolidated debt and taking into consideration market conditions in order to optimize overall borrowing costs. Most bond debt is fixed rate. At December 31, 2016, 91% 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 EUR22 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, 2016.

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, 2016 (Chapter 5).

In 2016, revenue in foreign currencies amounted to EUR19.3 billion, including around EUR6.6 billion in US dollars and 2.8 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 EUR48 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, 2016.

In 2016, purchases of raw materials totaled around EUR1.6 billion, including around EUR700 million for non-ferrous and precious metals, of which roughly 43% 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, 2016, the Group had hedged positions with a nominal value of EUR159 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, 2016, the Group had access to cash and cash equivalents totaling EUR2.8 billion. As of December 31, 2016, the Group had EUR2.7 billion in undrawn confirmed lines of credit, of which EUR2.6 billion matures after December 2017.

The Group's credit rating enables it to raise significant long-term financing and attract a diverse investor base. The Group currently has an A- credit rating from Standard & Poor's and an A3 credit rating (under negative outlook) 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, 2016, 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, 2016, EUR4.9 billion of the Group's financing and lines of credit had these types of provisions.

7.5 Legal risks

Our products are subject to varying national and international standards and regulations

Our products, which are sold in national markets worldwide, are subject to regulations in each of those markets, as well as to various supranational regulations (sales restrictions, customs tariffs, tax laws, security standards, etc.). Changes to any of these regulations or standards or their applicability to the Group's business could lead to lower sales or increased operating costs, which would result in lower earnings and profitability.

Our products are also subject to multiple quality and safety controls and regulations, and are governed by both national and supranational standards. The majority of our products comply with world-recognized International Electrotechnical Commission (IEC) standards as well as with the applicable rules in the European Union, and in particular the REACH and RoHS rules. Any necessary capital investments or costs of specific measures for compliance with new or more stringent standards and regulations could have a negative impact on Group operations.

In addition, in the majority of the markets on which its products are sold, Schneider Electric is subject to national and supranational regulations governing competition. If the Group is implicated in these areas, this could have a significant impact on the Group's businesses, results and financial position. However, to mitigate these risks, the Group completed its *Principles of Responsibility* by implementing a global competition law policy that has been widely rolled out within the Group, together with a training program set up by the Legal Affairs Department.

Risks related to products sold

In addition, in case of malfunction or failure of one of its products, systems or solutions, Schneider Electric could incur liability arising from any resulting tangible or intangible damages, or personal injury. Similarly, the Group could incur liability based on errors in the design of a product, system or solution or because of a malfunction related to the interface with other products or systems. The failure of a product, system or solution may involve costs related to the product recall, result in new 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"). Third parties may also infringe its intellectual property rights, and the Group may have to expend significant resources monitoring, protecting and enforcing its rights. If we fail to protect or enforce our intellectual property rights, our competitive position could suffer, which could have a material adverse effect on our business. In addition, the unauthorized use of intellectual property rights remains difficult to control, particularly in foreign countries, whose laws do not always effectively ensure the protection of these rights. They could be counterfeited or used without the consent of Schneider Electric, which could have a material adverse effect on our reputation and operating profit.

To mitigate this risk, the patents developed or purchased by the Group are tracked by the Industrial Property team within the Finance and Control - Legal Affairs Department. All intellectual property queries are centralized and managed by this team for the whole Group, and in coordination with the other Finance - Control - Legal Affairs Departments, which ensure that the Group's interests are defended throughout the world. The same approach and organization applies for the Group's brands portfolio.

7.6 Disputes

Following public offers launched in 1993 by SPEP (the holding company of the Group at the time) for its Belgian subsidiaries Cofibel and Cofimines, proceedings were initiated against former Schneider Electric executives in connection with the former Empain-Schneider Group's management of its Belgian subsidiaries, notably the Tramico sub-group. At the end of March 2006, a criminal court in Brussels, Belgium, ruled that some of 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. Pleadings were held in September 2016 and a decision is expected in March 2017.

In connection with the disposal of Spie Batignolles, Schneider Electric booked provisions to cover the risks associated with certain major contracts and projects. Most of the risks were closed during 1997. Provisions were booked for the remaining risks, based on management's best estimate of the potential financial impact. One of the main issues was concerning a litigation in France with SNCF before the administrative court. However, the Group has been discussing the issue with SNCF and the dispute has been settled amicably in 2016 at no cost for Schneider Electric beyond its own legal costs.

Subsequent to the January 24, 2007 *decision made by the EU Commission with regard to the GIS matter in the high voltage sector*, on May 21, 2010, the British company Power Networks (LPN – formerly EDF Energy UK) launched a claim against the companies, involved in this GIS case including Schneider Electric, for damages of GBP15 million in the High Court in London, England. Since there were no significant judicial developments in 2015, the defendants (including Schneider Electric SE) held discussions with LPN and the dispute was settled amicably in 2016 at no cost for Schneider Electric beyond its own legal costs.

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.

Schneider Electric was also among 2,000 companies worldwide that were mentioned in the Volcker report on the Oil for Food program published by the UN in October 2005. Schneider Electric Industries SAS was investigated by the French judiciary in 2010 in relation to this report, which stated that the Group had entered into agreements with the Iraqi government between 2000 and 2004 under which surcharge payments totaling approximately USD450,000 are alleged to have been made to the Iraqi government. In May 2013, in accordance with the indictment of the Public Prosecutor's Department, the judge referred Schneider Electric Industries SAS and 13 other French companies to the criminal court, which rendered its decision on June 16 2015, discharging all the companies. However, the Bench appealed this decision, which is currently scheduled to be judged by the Appeal Court of Paris by end-January 2018.

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.

7.7 Insurance policy

Schneider Electric's general policy for managing insurable risks is designed to defend the interests of employees and customers and to protect the company's assets, the environment and its shareholders' investment.

This strategy entails:

- identifying and analyzing the impact of the main risks;
- preventing risks and protecting industrial equipment; definition of protection standards for sites (including when those are managed by third parties) against the risk of fire and malicious intent, audits of the main sites by an independent loss prevention company, roll-out of a self-assessment questionnaire for the other Group sites;
- drawing up of business continuity plans, in particular for the Group main sites and critical suppliers;
- roll-out of crisis management tools by the Group's Security Department;
- carrying out hazard and vulnerability studies and safety management for people and equipment;
- implementing global insurance programs negotiated at the Group level for all subsidiaries with insurers meeting the criteria for financial position recognized by insurance and reinsurance players;
- optimization of financing for frequent, low amplitude risks through retentions managed either directly (deductibles) or through captive insurance companies.

Liability insurance

The insurance program put in place on January 1, 2015 for 3 years was continued in 2016. This program, deployed in more than 70 countries, provides coverage and limits in line with the current size of the Group and its evolving risks and commitments.

Certain specific risks, such as aeronautic, nuclear and environmental risk, are covered by specific insurance programs.

Property damage and business interruption insurance

A new 3 year insurance program was put in place as of July 1, 2016 with the same insurer. This is an "all risks except" 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. The global limit of indemnity has been increased to EUR500 million per event. The applicable sub-limits for natural disasters have been increased as well.

Assets are insured at replacement value.

Transport insurance

The insurance program that covers all risks of loss or damage to goods while in transit, including intragroup shipments, renewed on January 1, 2014, was continued in 2016.

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 2016.

Other risks

In addition, Schneider Electric has taken out specific cover in response to certain local conditions, regulations or the requirements of certain risks, projects and businesses.

Self-insurance

To optimize costs, Schneider Electric self-insures certain frequent, low-amplitude risks through 2 captive insurance companies:

- a captive company based in Luxembourg provides property damage reinsurance worldwide capped at EUR5 million per year, and liability reinsurance outside the USA and Canada capped at EUR17 million per year;
- for the entities located in the USA and Canada, a captive insurance company based in Vermont (USA) is used to standardize deductibles for civil liability, workers' compensation and automobile liability. These retentions range from USD1 million to USD5 million per claim, depending on the risk. An actuary validates the provisions recorded by the captive company each year.

The cost of self-insured claims is not material at the Group level.

Cost of insurance programs

The cost (including tax) of the Group's main global insurance programs, excluding premiums paid to captives, totalled around EUR24,6 million in 2016.

Sustainable development

2

1. Sustainable development at the heart of our strategy

A strategy serving energy transition technologies

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. 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 2016, Schneider Electric was one of 193 companies to secure a place on the Climate A list of all the companies which participated in the CDP program and the only company in its industry to achieve an A rating for the 6th 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 reliable, safe, efficient, and sustainable energy to the 1.2 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.

On the eve of COP21, Schneider Electric presented 10 commitments for sustainability. The objective is to reduce the Group's emissions across the 3 scopes of the GHG Protocol[(1)] and to develop new technologies for energy efficiency so that Schneider Electric and its ecosystem demonstrate carbon neutrality by 2030. At COP22, on behalf of Schneider Electric, Jean-Pascal Tricoire signed the Science-based targets initiative aimed at setting Greenhouse Gas (GHG) emissions reduction targets in line with the global effort to limit warming to 2°C. In scopes 1 and 2, the Group has already defined the target to reduce its CO_2 emissions by 53% in absolute terms by 2050 compared to 2015 levels. Schneider Electric's 10 commitments towards carbon neutrality by 2030 are:

1) ensure CO_2 impact quantification for 100% of new large customer projects (2015-2017);
2) design 100% of new offers with Schneider Electric ecoDesign Way™ and realize 75% of product revenue with Green Premium™ eco-label (2015-2017);
3) avoid 120,000 tons of CO_2 through Circular Economy "end-of-life" services (2015-2017);
4) facilitate access to lighting and communication with low carbon solutions for 50 million inhabitants at the Base of the Pyramid in 10 years (2015-2025);
5) implement storage initiatives to develop renewable energy and mini grid (2015 and beyond);
6) solve SF_6 issues with new alternatives in 5 years (2015-2020) and eliminate SF_6 from Schneider Electric products in 10 years (2015-2025);
7) reduce Schneider Electric energy intensity by 3.5% per annum (2015 and beyond);
8) reduce Schneider Electric transportation CO_2 emissions by 3.5% per annum (2015 and beyond);
9) invest EUR10bn in R&D and innovation on sustainability in the next 10 years (2015-2025);
10) issue a climate bond to finance low CO_2 R&D across Schneider Electric businesses (issued at the end of 2015).

Opportunities and risks related to the effect 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:

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

(1) The Greenhouse Gas Protocol (GHG Protocol) is the most widely used CO_2 equivalent accounting tool in the world. Scope 1 corresponds to greenhouse gas emissions from sources owned or controlled by the company. Scope 2 corresponds to emissions from the generation of electricity used by the company. Scope 3 corresponds to all other indirect emissions of the company from sources not under its ownership or control (transport, use of products and services, etc.).

1.1 Prioritizing actions with a materiality matrix

Materiality Analysis

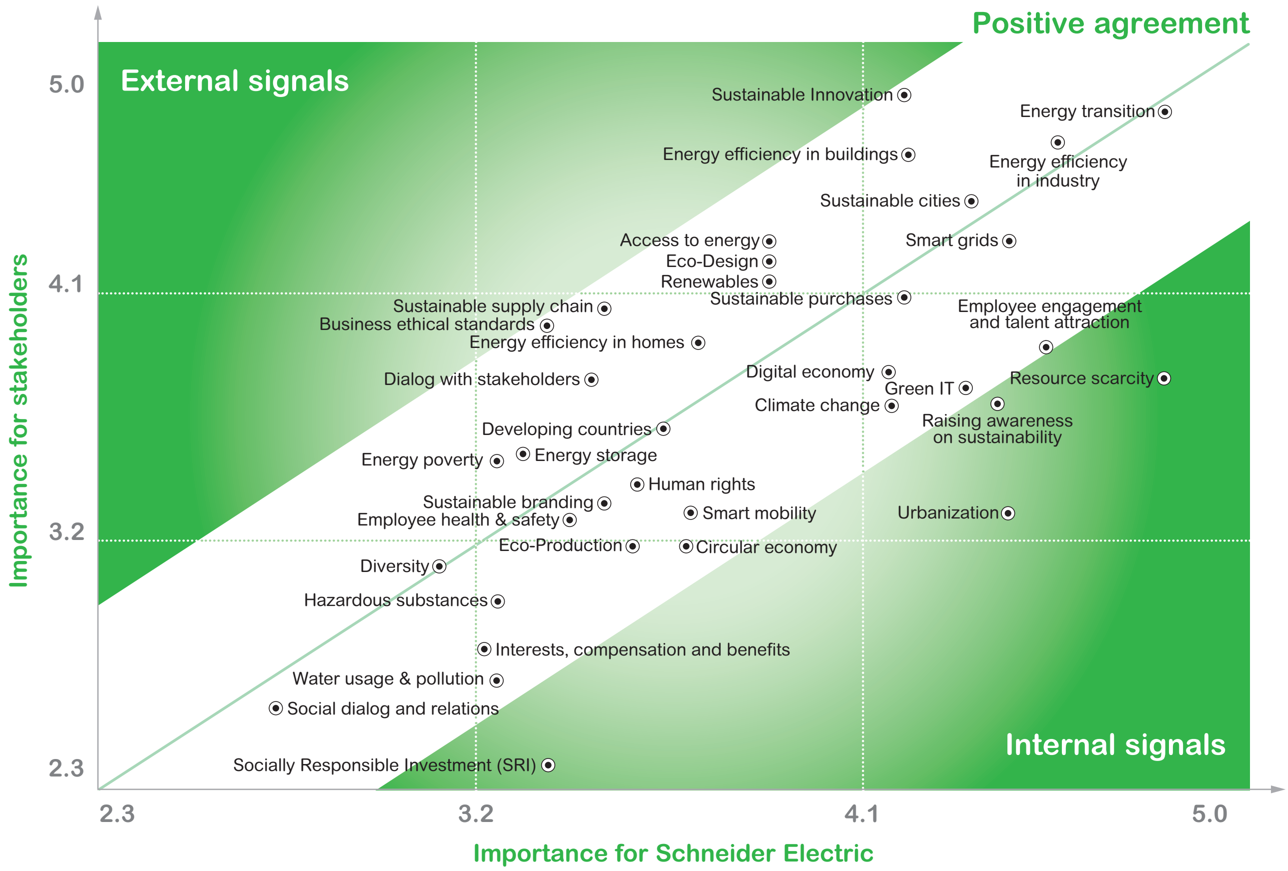
In 2013, Schneider Electric conducted a materiality[1] analysis by questioning relevant external stakeholders (*e.g.* clients, media, distributors, international organizations, experts, etc.), and top and senior managers within the Group (Environment, Global Supply Chain, Finance, Human Resources, Business, etc.). The participants represented 6 different nationalities; 37% of the respondents were women, 63% were men. Participants were asked to assess the significance of each issue according to a quantitative scoring scale, and then were interviewed for qualitative evaluation and feedback about the process. With the help of consulting firm Utopies, the aim is to ensure that Schneider Electric reports against the most important economic, social and environmental issues; identifies current and future opportunities and risks for the business; and updates its sustainability agenda with the key stakeholders' expectations. In particular, the materiality matrix was one of the sources used to design the 2015-2017 Planet & Society Barometer and to confirm the topics to be addressed in the registration document.

Key Learnings

The materiality matrix below displays the results of the analysis. The most material challenges include energy transition, energy efficiency in industry and buildings, sustainable cities, smart grids, sustainable innovation, access to energy, eco-design, sustainable purchases, employee engagement and attraction, resource scarcity, and the digital economy.

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

For further details, please visit the Schneider Electric website.



(1) *Definition is based on AA 1000 Assurance Standard's materiality principle as well as the G4 Sustainability Reporting Guidelines.*

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

Planet & Society barometer (objectives for 2017)			Start 01/2015	Results 2015	Results 2016	Target 12/2017
Overall score (out of10)			3.00	6.33	8.48	9/10
PLANET	CLIMATE	10% energy savings	-	4.5%	7.1% ▲	10%
		10% CO_2 savings from transportation	-	8.4%	11.2% ▲	10%
	CIRCULAR ECONOMY	Towards zero waste to landfill for 100 industrial sites	34	64	99 ▲	100
		100% of products in R&D designed with Schneider ecoDesign Way™	-	13.3%	81.6% ▲	100%
PROFIT	CLIMATE + DEVELOPMENT (Sustainability offers)	75% of product revenue with Green Premium™ eco-label	60.5%	67.1%	74.8% ▲	75%
		100% of new large customer projects with CO_2 impact quantification	-	- *	16% ▲	100%
		120,000 tons of CO_2 avoided through maintenance, retrofit and end-of-life services	-	44,777	101,508 ▲	120,000
		x5 turnover of Access to Energy program to promote development **	-	x2.07	x2.1 ▲	x5
	ETHICS	100% of our recommended suppliers embrace ISO 26000 guidelines	48%	64.7%	82.3% ▲	100%
		All our entities pass our internal Ethics & Responsibility assessment	-	88%	93.4% ▲	100%
PEOPLE	HEALTH & EQUITY	30% reduction in the Medical Incident Rate (MIR)	-	17%	33% ▲	30%
		One day training for every employee every year	79%	85.6%	92% ▲	85%
		64% scored in our Employee Engagement Index	61%	61%	64% ▲	64%
		85% of employees work in countries with Schneider gender pay equity plan	-	57%	75% ▲	85%
	DEVELOPMENT	150,000 underprivileged people trained in energy management	73,339	102,884	123,839 ▲	150,000
		1,300 missions within Schneider Electric Teachers NGO **	460	878	1,065 ▲	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.

▲ 2016 audited indicators.

* This indicators is followed from 2016.

** A methodological change was made in Q4 2016, see note on pages 113 and 114.

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 corporate community around sustainable development objectives;
- share the Group's progress plans with stakeholders.

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

For each company program, the Group defines a new Planet & Society Barometer. The progress plans are drawn up following an internal exercise to identify sustainability issues based on external inputs, primarily the assessments and ratings received along with the materiality matrix, and a consultation with the departments directly concerned by the progress plans. In 2014, this also included a company-internal consultation with the "sustainability fellows" (see page 55) and the "sustainability leaders" appointed by each member of the Executive Committee. The Sustainable Development Department presents the draft version of the Planet & Society Barometer to the Sustainability Executive Committee for approval before the launch of the Company program. This committee includes 4 members of the Executive Committee: Strategy, Human Resources, Global Supply Chain and Marketing.

Four cases may be included from one barometer to the next:

- the progress plans are maintained in the barometer and their targets are renewed or increased;
- the progress plans change, new and more innovative or better adapted indicators that cover the same subject are implemented; the old indicators continue to be monitored internally if necessary;
- the progress plans are removed from the barometer; this is also the case with indicators that have reached a threshold; they continue to be monitored internally if necessary;
- progress plans that respond to new issues are implemented.

Operation and monitoring of the Planet & Society Barometer

The Planet & Society Barometer 2015-2017 is part of the *"Schneider is On"* company program. It comprises 16 key performance indicators scored out of 10. The average of the scores, with each indicator weighted equally, provides the overall performance of the barometer. Departments directly affected by the progress plans (Human Resources, Environment, Access to Energy, etc.), each represented by a project leader, implement measures to achieve the objectives of the plans. This project leader works directly with local managers in their respective areas.

The quarterly results of the barometer are supervised by the Sustainability Executive Committee, which makes decisions on any corrective actions that may be necessary to achieve the objectives. This committee meets 2 to 3 times a year.

See also the **Planet & Society Barometer criteria in variable compensation page 97.**

The table above shows Schneider Electric's sustainable development performance in 2016. When the barometer was launched on January 1, 2015 the overall score was 3.00/10. At the end of 2016, the Company exceeded its target of 7.5/10 and attained 8.48/10.

Communicating the results of the Planet & Society Barometer

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

- the quarterly non-financial press releases and the quarterly financial and non-financial Group results;
- Schneider Electric website and intranet;
- the "Webradios", which inform the sustainability fellows (see page 55) about sustainability performance and achievements for the quarter and provide an update on key sustainability topics.

The non-financial annual results are presented together with the Group's financial results by Jean-Pascal Tricoire, in order to demonstrate the Group's commitment to making sustainable development part of the Company's long-term strategy. In addition, from 2014, the quarterly barometer results are presented together with the quarterly financial information by Emmanuel Babeau to institutional investors.

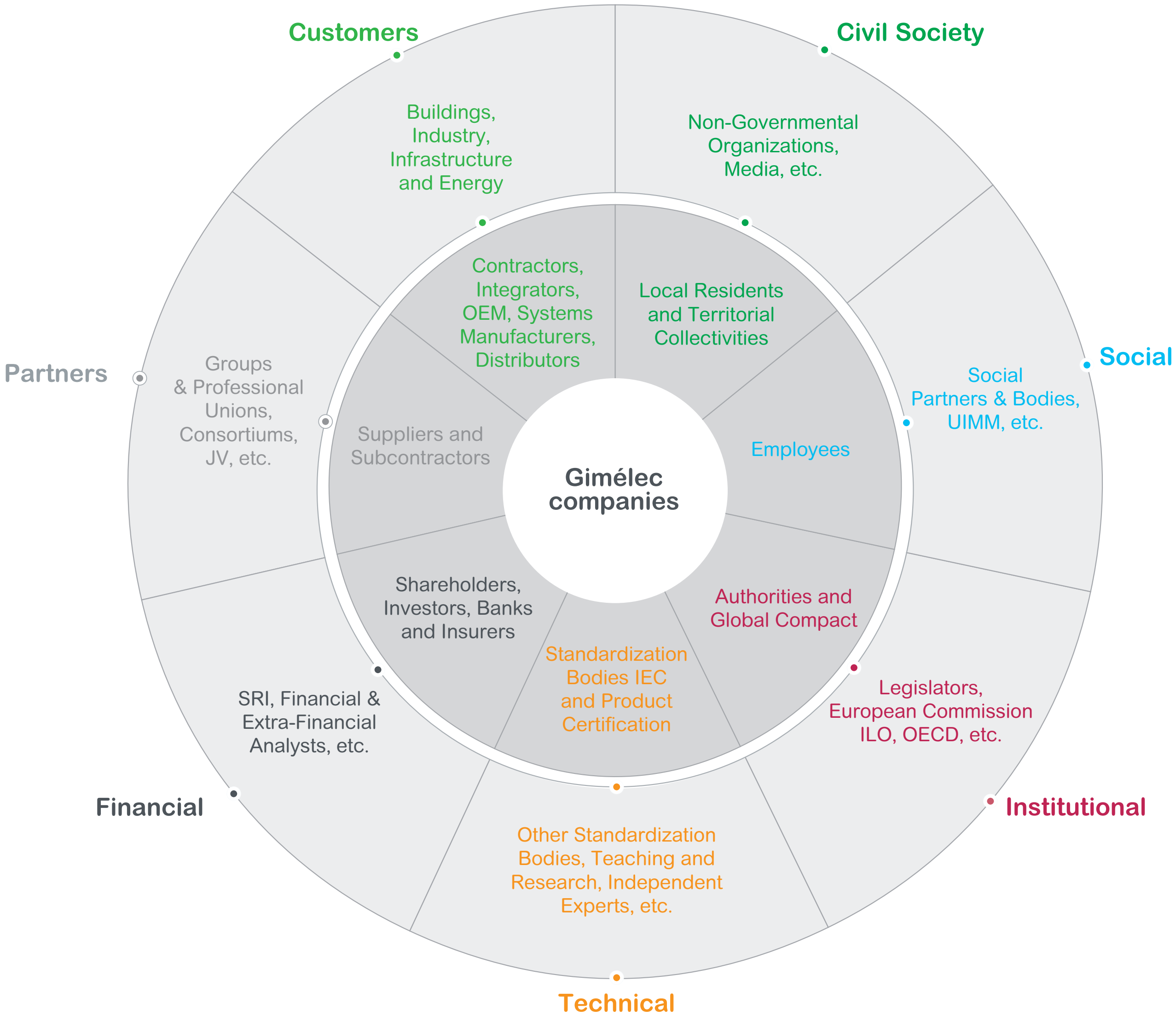
The publication of objectives and quarterly results is a way for Schneider Electric to engage with its internal and external stakeholders with regard to the objectives, to publicly disclose its sustainable development challenges through the choice of indicators, and to share progress made or difficulties encountered in a transparent manner.

The Planet & Society Barometer is a tool that enables the Group to anticipate and effectively manage its sustainability risks 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.



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 and the Group corporate brochure (strategy and sustainable development report), new progress plans throughout the Company program as well as during the design of the Planet & Society Barometer every 3 years.

(1) Source: CSR Sector Reporting Guide, 2013.

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, a new initiative was launched in January 2013: the Sustainability Fellows. Relying on the internal social network "Spice", the community's objective is to make all employees aware of what sustainable development is, what the main challenges linked with this topic are, inside and outside the Company, and what Schneider Electric's commitment in this field is. The ultimate goal is to make sure that employees can use the sustainability efforts to make a positive impression in their interactions with various stakeholders, share their views to improve the company's policies and actions, and also be aware of the different ways through which they can get involved in sustainable development. The community is moderated by a central team within the corporate Sustainable Development Department and relayed by local employees in their entity and/or country. From simple posts of polls on the Spice platform to ask employees for their input on company's policies or achievements, to quarterly Webradio broadcasts focusing on sustainable development performance and related topics, the Sustainability Fellows grew from a few hundred people in early 2013 to 5,000 at the end of 2016. The implementation of this community demonstrated that employees are willing to attend events or give some of their time to this subject.

Global and local external commitments to move forward collectively

Schneider Electric works with different local and international organizations and associations on economic, social and environmental issues to foster sustainable development in cooperation with various players from society. Schneider Electric confirms its commitment and participation in discussions on challenges related to climate change.

Theme	Commitment
Sustainable governance	**International:** World Business Council for Sustainable Development (WBCSD), United Nations Global Compact, International Chamber of Commerce (Environmental Commission). **France:** member of the board of directors of ORSE (French study center for corporate social responsibility). Since 2013, Jean-Pascal Tricoire has been Chairman of the Global Compact France.
Energy/Energy efficiency	**International:** Alliance to Save Energy (Energy Efficiency), Clinton Climate Initiative (Buildings), Green Grid (Information Technology), The 2°C Challenge Communiqué (Corporate Leaders Group, CLN), eu.bac (the European association for building automation and controls – energy efficiency in buildings), Caring for climate (Global Compact). **France:** EpE (*Entreprises pour l'environnement*), National Energy Transition Council, signatory of the Green Building Plan Charter, Shift project, Promodule, Financing company for energy transition, member of the board of directors of Avere (Electric Vehicle Association), IFPEB (*Institut français pour la performance énergétique du bâtiment), Pacte écologique de Nicolas Hulot, Grenelle de l'Environnement.*
Smart grids	Research Triangle Cleantech Cluster (Raleigh, North Carolina), Grid Edge Executive Council (Greentech Media), Fort Collins Cleantech Cluster (Colorado), Tenerrdis Energy Cluster (France), OpenADR Alliance, Smart Energy Demand Coalition (SEDC), Peak Load Management Alliance, North American Electric Reliability Council (NERC) Functional Model Demand Response Advisory Team, NEMA Smart Grid Council, IEEE (T&D and Power and Electronics Society), Association of Energy Service Professionals (AESP), Association for an Energy Efficient Economy (AEEE), Pacific Northwest Demand Response program, Smart grid project group of Capiel (European Coordinating Committee of Manufacturers of Electrical Switchgear and Controlgear), Infrastructure task force of Orgalime, Electric Drive Transportation Association (EDTA), Bay Area Climate Collaborative (SF Bay), NEMA Distribution Automation Section 8DA, Smart grid task force of T&D Europe (European Association of the Electricity Transmission and Distribution Equipment and Services Industry), European Smart grid task force led by the European Commission.
Smart cities	**International:** European Innovation Partnership for Smart Cities and Communities, Urban Infrastructure Initiative led by the WBCSD. **France:** Smart cities task force of AFEP (French Association of Private Sector Companies).
Access to energy	**International:** co-signatory of a white paper for the WBCSD (World Business Council for Sustainable Development) on business solutions for access to energy for all, the first major publication of the Access to Energy initiative of the WBCSD, Co-pilot of the "Low carbon electrification in remote areas" group, Sustainable Energy for all (United Nations), Club ER, Alliance for rural electrification. **France:** supporting partner of the Social Business/Enterprise and Poverty Chair at HEC.
Diversity	**International:** signatory of the Women's Empowerment Principles (WEP) of the United Nations. **France:** Diversity Charter, Agreement for professional gender equality, Professional gender equality Label, Parenthood charter, Disability Agreement, Agreement on inter-generational mechanism, Apprenticeship Agreement, Framework Convention on Jobs for the Future (*Emplois d'Avenir*), Businesses and Neighborhoods (*Entreprises et Quartiers*) Convention.
Social policy	*Observatoire Social International.*
Education	**International:** training program in energy management for underprivileged people, in partnership with local vocational training centres and/or national or international NGOs. **France:** School Paul-Louis Merlin, framework agreements with the Ministry of National Education, Higher Education and Research, partnerships with the continuing education network of UIMM, *Ingénieurs Pour l'École network* (IPE), selected by the Ministry of Education for the Digital School project.
Ethics	**International:** Transparency International. **France:** *Cercle éthique des affaires* (Business ethics club), *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.

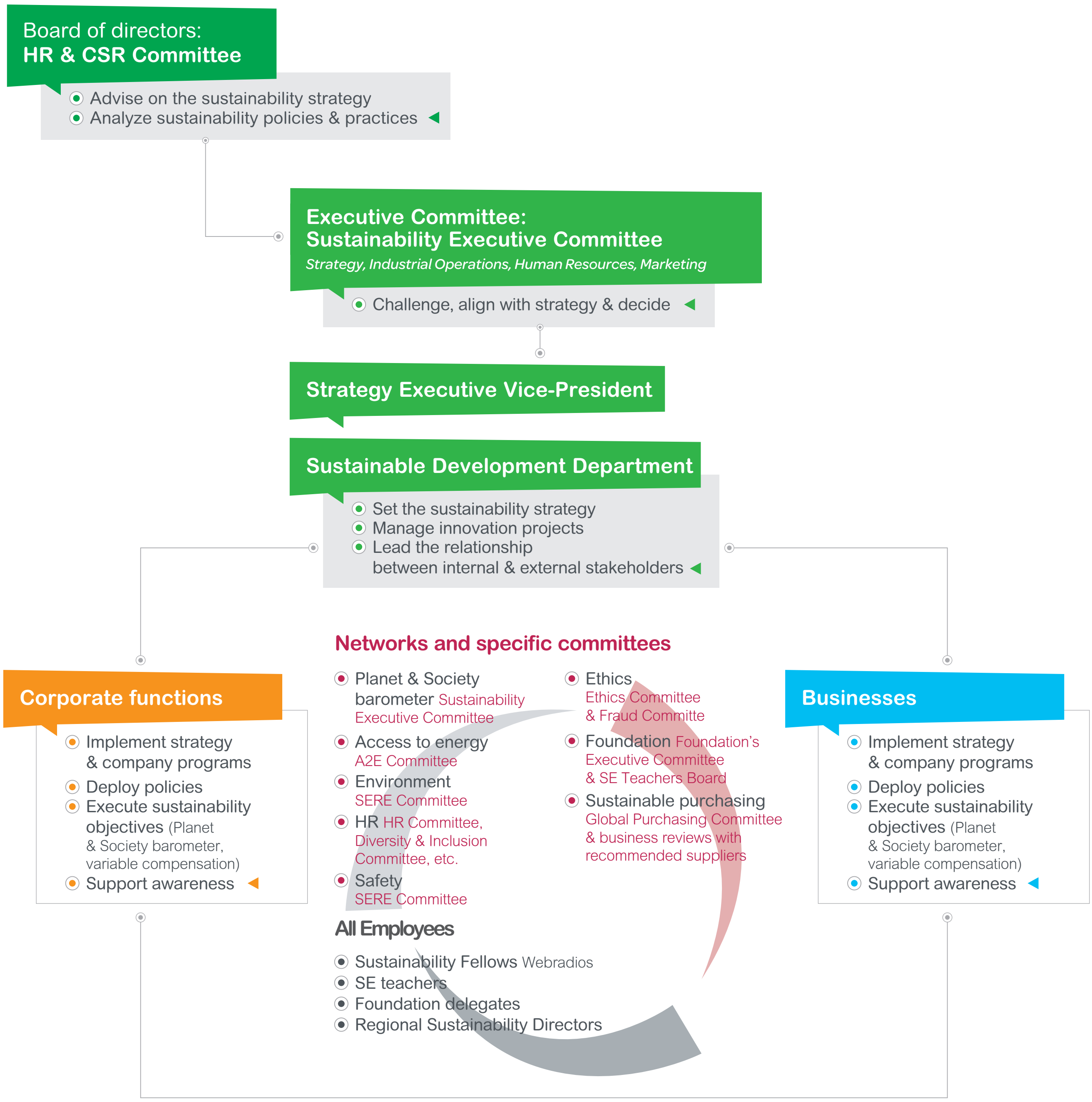
Theme	Commitment
Philanthropy	**International:** member of the IAVE (International Association for Volunteer Effort), more than 70 NGOs supported each year in over 35 countries, partner of Ashoka for the development of social entrepreneurship primarily in Europe. **France:** active support of Admical (*Association pour le développement du mécénat industriel et commercial*, member of the European network CERES) and *IMS-Entreprendre pour la cité.*
Standardization	With more than 500 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 reliability of electric installations and equipment and transparency of the work on environmental issues. In particular, it ensures the presidency of the French Electrotechnical Committee; it is a founding member of international (IEC - International Electrotechnical Commission) and European organizations (Cenelec - European Committee for Electrotechnical Standardization); very 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. 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, between now and 2019, develop a set of standards covering repairability, reuse, recycling, refurbishment, etc., of products which fall within the scope of the Eco-design directive. Schneider Electric has appointed experts in each of the working groups. It chairs several technical committees in ISO (International Standardization Organization). 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. 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).

1.4 Integrated and transverse governance of sustainable development

Overall operation

The following diagram illustrates the relationships between the different levels of decision-making on the subjects of sustainable development within Schneider Electric, and how sustainability is integrated in the processes and bodies that design and execute the Group strategy.

See also **the Planet & Society Barometer criteria in variable compensation page 97.**



The Sustainable Development Department

The Sustainable Development Department, created in 2002, has been part of the Strategy Department since 2008. It has the following responsibilities:

- defining Schneider Electric's sustainable development strategy and rolling out action plans at the Group level with the concerned entities;
- developing and managing Schneider Electric's innovative community projects to ensure continuing improvements in the Group's performance in this area.

In 2010, the Sustainable Development Department was adapted to better meet the company's present and future challenges as well as the requirements of its stakeholders. It is organized around four areas:

- ethics, steering the Responsibility & Ethics Dynamics program (see pages 69-73);
- social responsibility, specifically with the Schneider Electric Foundation as well as local economic and social development programs (see pages 105-109);
- access to energy, with responsibility for the Access to Energy program (see pages 100-105);
- 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 52-53).

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

(see page 76).

Human Resources organization

(see page 86).

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. 153)

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 2 to 3 times per year with the Sustainable Development Director 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, joint this committee.

The Ethics Committees

(see page 71).

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".

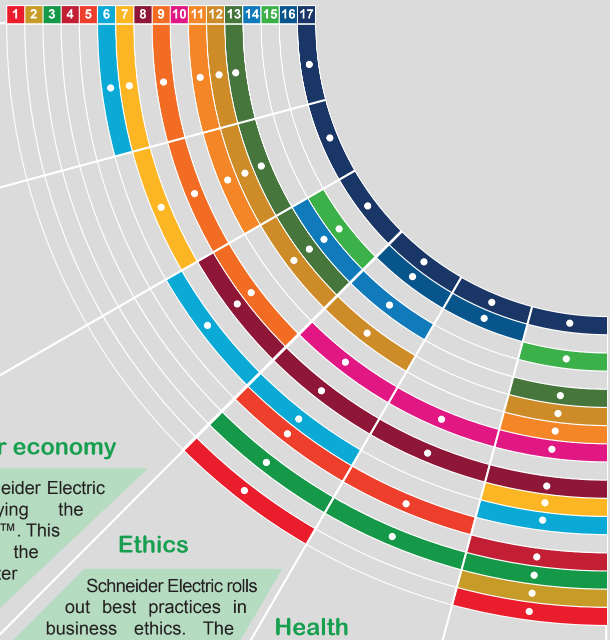
Parties signing the Global Compact commit to 10 fundamental principles in 4 areas: human rights, labor rights, the environment and anti-corruption.

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 67 "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.

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

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 67 "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.

Internal guidelines

The Group has written guidelines that promote an ethical framework and strategic roadmap in which the activities of Schneider Electric are carried out: the *Principles of Responsibility*, which are supplemented by 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.

Our Principles of Responsibility

As a global corporation, Schneider Electric continuously interacts with local and international partners. The Group's borders are expanding, its environment is constantly changing, and its societal responsibilities and activities are growing. In this international context, reprehensible behavior may be seen when the ethics inspection and prevention processes are fragile. The Group is responsible for implementing its resources to support employees in the event of an ethical dilemma.

Our Principles of Responsibility, published for the first time in 2002 and updated in 2009 and again in 2013, is a summary document inspired by the 10 principles of the Global Compact, the Universal Declaration of Human Rights and standards issued by the International Labor Organization and the Organization for Economic Cooperation and Development. They provide guidelines for conduct that the Group is committed to following, which includes consideration and respect for the various stakeholders. The document is available in 30 languages and is distributed to all employees.

By adopting *Our Principles of Responsibility* in 2002, the Group has an individual and collective reference point. This document outlines the Group's commitments to all of its stakeholders: the Company's employees, its business partners, shareholders, civil society and the planet.

In 2009 and in 2013, the Group updated *Our Principles of Responsibility* to set out its standards on ethics. This document incorporates updated Group and employee commitments on the following:

- the respect of law, the limits established by each employee to ensure full compliance with the laws of all the countries in which Schneider Electric is present;
- the code of ethics that all employees must follow in line with the professional regulations of the Group;
- Group societal responsibility – what all employees must do to act responsibly towards society and the planet.

In 2010, the Responsibility & Ethics Dynamics program put these ambitions into practice by setting up an organization, procedures and tools for the Group, so that its employees could:

- provide team members with effective support in their daily actions and decision-making, primarily through access to the necessary resources (policies, procedures, tools & best practices);
- help team members identify the appropriate individuals to guide them in their eco-citizen approach and in each of the areas covered by the principles;
- know how to notify the authorities of breaches of ethics, with respect to current laws and regulations.

See pages 69-73 for more details on Ethics & Responsibility.

In order to implement these principles, Schneider Electric has published a series of global policies. These reference documents are distributed throughout the Group so that all team members can embrace Schneider Electric's eco-citizen approach and apply it in line with local culture and legislation.

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. This is particularly the case with policies published in 2015 such as the Business Agents policy specifying the rules to be followed when an external stakeholder is approached to obtain business, and the Gifts & Hospitality policy. In 2016, the Group also put in place a new Anti-Corruption policy scheduled for rollout in 2017. The other policies cover social media management, data management and protection, competition law, the market ethics code, etc.

Environment

The first version of Schneider Electric's environmental policy was published in 1992, modified in 2004 and confirmed in October 2007. It aims to improve industrial processes, reinforce product eco-design and incorporate Group customers' concerns for environmental protection by providing them with product and service solutions. It 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 by the leading sustainability ratings agencies and by a number of ethical fund managers indicate the Company's performance in its sector. The evaluations and awards underline external recognition of the Group's sustainable development programs.

In the Ipreo report SRI Leaders Index Fall 2016, Schneider Electric was listed as 10th for the global company with the most SRI funds in its capital (128 funds).

Ethical stock market indices

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

Schneider Electric is part of the 2016-2017 edition of DJSI World and DJSI Europe. Evaluation for this family of indices is provided by RobecoSAM, an independent asset manager headquartered in Switzerland.

For the fourth year in a row, Schneider Electric ranks first in its sector.

CDP: member of the "Climate A list"

Schneider Electric was selected for the 6th year running among the 9% of companies to receive the "A" rating for their performance in activities to combat climate change.

Euronext Vigeo Indices

The composition of the indices is updated twice per year, in June and December, based on the opinions of Vigeo conducted approximately every 18 months. Schneider Electric was evaluated in late 2015. It is first in its sector, with a Robust rating. On December 1, 2016, Schneider Electric was part of the Euronext Vigeo World 120, Europe 120, Eurozone 120 and France 20 indices.

Other indices

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

In 2016, Schneider Electric was part of the following indices in particular:

- FTSE4Good Global and Europe, FTSE Environmental Opportunities;
- MSCI Global: Sustainability, SRI, and Environment;
- STOXX Global ESG from Sustainalytics: Leaders, Environmental Leaders, Social Leaders, Governance Leaders; STOXX Europe ESG Leaders 50, Euro STOXX ESG Leaders 50; and STOXX Global ESG Impact;
- STOXX Sustainability from bank Sarasin;
- STOXX Low Carbon, Low Carbon Footprint and Global Climate Change Leaders of the CDP (global and European indices);
- Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers;
- ECPI Equity: Carbon, Ethical, Renewable Energy, ESG Best in Class, Megatrend, Climate Change and ESG (global and European indices).

Awards 2016

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

- **Global 100 most sustainable corporations:** Schneider Electric came in 27th place in January 2017 in the ranking drawn up by Corporate Knights. This is the 5th year running it has appeared on this list.
- **Ethisphere:** Schneider Electric was one of the 124 most ethical companies following ranking by Ethisphere in March 2017, for the 7th consecutive year.
- **Newsweek Green Ranking:** in 2016 Schneider Electric was the 10th greenest company in the world, according to the Newsweek Green Ranking.
- **Carbon Clean 200 List:** in February 2017, Corporate Knights ranked Schneider Electric number 3 worldwide for its revenue devoted to the energy transition (previous rank: 4th in Summer 2016).
- **Responsible supplier relations label**: on May 6, 2014, Schneider Electric France obtained this label for a period of 3 years (subject to satisfying the annual monitoring assessments). This label has been renewed following the follow-up audit carried out by a third party in 2016.

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's offerings also target other areas related to smart grids and sustainable cities.

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

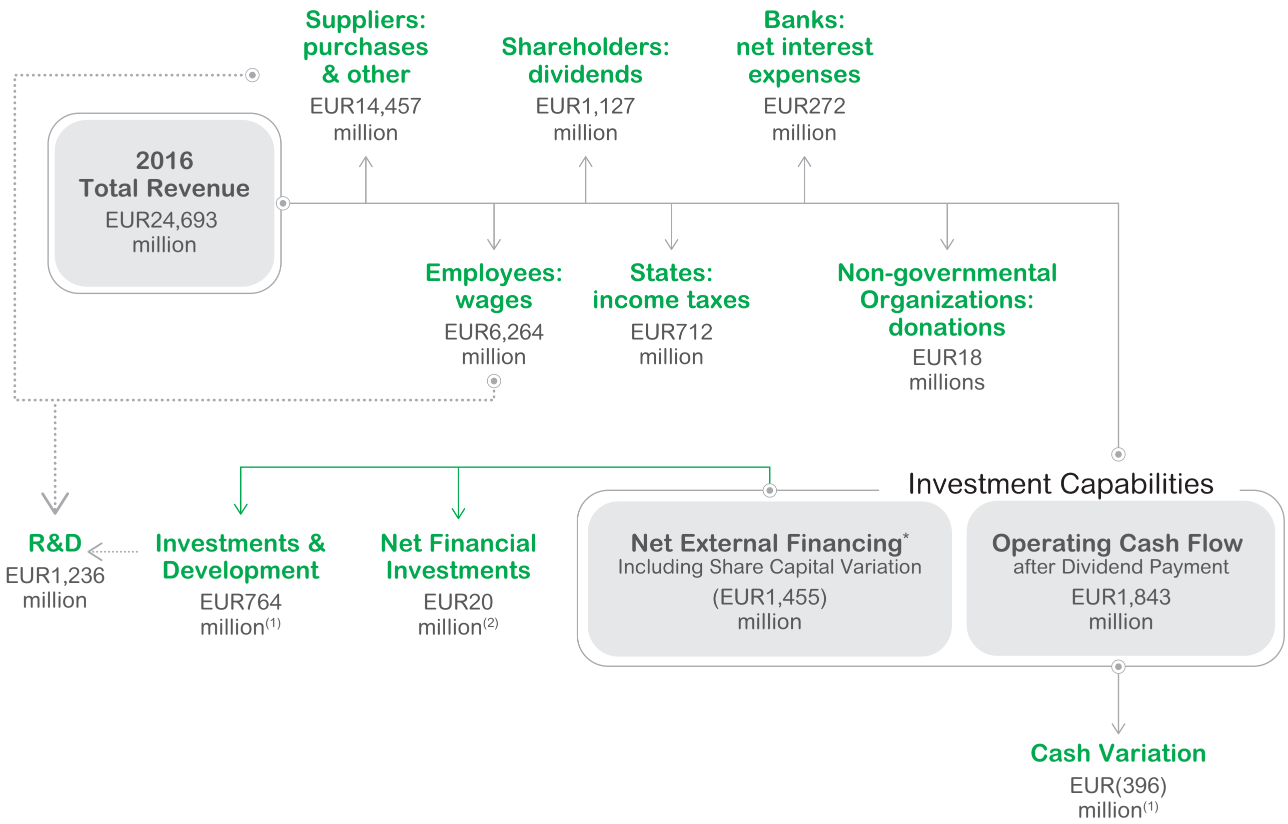
For this section, 4 key performance indicators have been set in the Planet & Society Barometer for the duration of the *"Schneider is On"* program (2015-2017):

Objectives for year-end 2017	2016	2015	2014
1. 100% of new large customer projects with CO_2 impact quantification	16% ▲	-*	-
2. 120,000 tons of CO_2 avoided through maintenance, retrofit and end-of-life services	101,508 ▲	44,777	-
3. 100% of our recommended suppliers embrace ISO 26000 guidelines	82.3% ▲	64.7%	48%
4. All our entities pass our internal Ethics & Responsibility assessment	93.4% ▲	88%	-

The 2014 performance serves as a starting value for the Planet & Society Barometer of the "Schneider is On" program between 2015 and 2017.
▲ 2016 audited indicators.
** Results measured from 2016 (measurement tools deployed in 2015).*
Please refer to pages 111 to 114 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 65-67 for indicator 1, 85 for indicator 2, 68 for indicator 3, and 71 for indicator 4).

Revenue breakdown

Every year for the last 11 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.



Revenue distribution to our stakeholders

Investments

* Borrowings, share issues and sale of treasury stock.
(1) Including EUR348 million in R&D.
(2) Including EUR111 million for long term pension assets.

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

Our planet is facing an unprecedented energy challenge.

According to the International Energy Agency (World Energy Outlook 2016), assuming that all recently-introduced energy efficiency policies are implemented with full success, global primary energy demand is still expected to increase 30% by 2040. This would dramatically impact energy costs and energy security, competition for resources, access to energy for the poorest populations, economic growth – and of course climate change. The increase in energy-related greenhouse gas emissions would be 13% – whereas it would have to decrease by 47% for the world to achieve its environmental targets. The energy mix will change, with the share of renewable energies increasing from 13% to over 20% of the total, with a higher level ambition of over 30%.

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

Our customers – companies, citizens, governments – all want to reduce their costs and environmental impact while constantly improving the reliability, safety and performance of their homes, buildings, sites and equipment.

In order to insure that energy efficiency targets are achieved, and the energy mix moves to more renewables, Schneider Electric provides an innovative and competitive portfolio of products, systems, services and software to help its customers.

Energy efficiency

Context

Energy efficiency means using less energy for equivalent performance or service.

This reduces energy consumption and carbon emissions and saves money while contributing to energy security and creating jobs.

In its World Energy Outlook 2016, the International Energy Agency (IEA) estimates that improved energy efficiency slows 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.

Schneider Electric is one of the first companies to have taken a strong position in support of energy efficiency by developing efficient and competitive offerings for all its large end-markets.

Offerings

Schneider Electric promotes "active" energy efficiency, which consists of optimizing the entire energy cycle through active energy control products, systems, services and software.

These are mostly used to optimize the energy efficiency of utilities and industrial processes and to improve energy performance and comfort in industrial facilities, commercial buildings and homes – which together represent more than 60% of total energy demand. Since active energy controls can help reduce energy usage by up to 30%, the impact on a country's energy mix and energy bill is too significant to be ignored.

Schneider Electric offers a range of products, systems, services and software such as:

- products: dimmer switches, timers, heating and air conditioning control, variable speed drives, etc.;
- systems: building management systems, lighting control, process supervision, renewable generation, microgrids;
- services: energy audits, power system studies, optimization of energy purchases, participation in demand reduction programs, etc. up to and including outsourced operation of electrical systems;
- software: data analysis, remote monitoring, integrated management of energy flows over several sites, and the operational software and communications needed for utilities and large users to operate electrical grids, etc.

These solutions meet the standards and regulations in force in each country where they are sold.

In particular, Schneider Electric has expanded its **energy services** portfolio through strong organic and external growth.

The Group's large customers want to manage their energy better and therefore must better understand their energy flows. This involves energy efficiency audits, metering, monitoring and analysis services.

Then they intend to optimize these flows by using the best purchasing policies, by participating in demand reduction programs, implementing energy performance contracts, and by obtaining certifications (*e.g.*, the ISO 50001 international standard). These are all covered by the Group's energy management services offer.

Finally, this energy management allows customers to reduce the environmental impact of their activities and to improve their carbon audit. This involves evaluation and carbon footprint management services, which are closely linked to energy management services.

The Group's **integrated energy management** solution is also experiencing strong growth.

This involves achieving a consolidated view of energy flows over various activity zones of a single site, several sites, or the whole of a company. Understanding the flows means they can be monitored and then optimized, thus improving the long-term energy performance of the site or company.

Schneider Electric recently launched the next generation EcoStruxure™ architecture framework, that enables Schneider Electric, its partners and end-user customers to develop scalable and converged IT/OT 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.

The Smart Grid

Context

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

Today's grid is undergoing rapid change, 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. 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.

The recently launched next generation EcoStruxure™ architecture framework enables Schneider Electric, its partners and end-user customers to develop scalable and converged Smart Grid solutions 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.

Schneider Electric offers products and solutions in all these domains:

- flexible distribution: ADMS (Advanced Distribution Management System) ranked #1 in the industry by independent analysts, control and automation of sub-stations (between high and medium voltage and medium and low voltage networks), SCADA (Supervisory Control And Data Acquisition), protection and metering systems, outage management devices;
- smart production: electrical equipment for solar farms, wind farms and hydro-electric power plants, supervision control and data acquisition (SCADA) systems, engineering, maintenance and management of the performance of equipment, automation of the energy production process, systems for optimal integration of renewables into the network. The purpose of all these systems is to improve the costs of running and operating customer infrastructures.

  According to the International Energy Agency's World Energy Outlook 2016, renewable energies could grow from 13% of total energy production in 2014 to 20% in 2040 – representing over a 100% increase in installed capacity.

  Schneider Electric serves and connects power plants and large buildings to the electricity grid, provides equipment to turbine manufacturers and supplies the residential end-market through its network of partners and distributors;
- microgrid, efficient homes and enterprise: energy efficiency products and solutions, complex solutions for integrated energy management, operational and financial project management.

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

Sustainable and Smart Cities

Context

Cities are where the world's sustainable development battle will be won – or lost. Cities need to ensure resource efficiency over the long-term as well as social inclusiveness, while providing more efficient urban services to their constituents. Cities today are the home to over 50% of the world's population, consume more than 70% of global energy consumption and give off 75% of greenhouse gas emissions. Buildings in cities represent approximately 40% of the cities total energy consumption (Sources: IEA World Energy Outlook 2016, and UN Habitat - Sustainable Urbanization in the Paris Agreement, November 2016).

As cities improve the efficiency of their underlying systems (electrical distribution, gas distribution, water distribution, public and private transportation, buildings and homes, waste management, etc.), they increase the performance of the public services they provide, thus improving their livability and attractiveness to residents and visitors alike.

Offerings

Our practical operational technology focused solutions to urban efficiency combine solutions to all key parts of a city, as well as a strong collaborative mindset with both global players with complementary capabilities and local players with deep knowledge of each city's specifications.

Schneider Electric has proven these capabilities in innovation and world recognized projects such as Europe's only carbon neutral district, the EUREF campus in Berlin, and the Edge building in Amsterdam which is the world's greenest commercial building according to the BREEAM standard.

Our technology solutions comprise products, systems, services and software, backed by strong process expertise, to improve the efficiency of city operation, with all of these systems highly integrated via IoT (Internet of Things) enabled infrastructure and software:

- solutions for smart energy: smart grid automation, estate-wide microgrids, flexible distribution, metering management systems, integration of renewable energy sources, real-time software suites;
- solutions for smart buildings: energy efficiency and security solutions and services for high-performance buildings, smart home energy management systems;
- solutions for smart public services: electric vehicle charging infrastructure, public safety through video surveillance and emergency management systems, security systems and management;
- solutions for smart integration: digital city services platform architectures for power, security, IT, building and process management systems, intelligent weather forecasting, energy and environmental tracking and management systems;
- solutions for smart water: distribution management system, leak detection, power, control and security systems integration, stormwater management, urban flooding management.

2.3 Relations with subcontractors and suppliers

Approach

As a Global Compact signatory, Schneider Electric has been involved in an ambitious approach to include sustainable development challenges in the supplier selection and working processes. This approach is all the more important as Schneider Electric's purchasing volume represents more than EUR12.5 billion.

Schneider Electric has published a charter for its suppliers, called the Supplier Guide Book, which includes a large section on expectations with regards to sustainable development in the following 5 areas: health and safety, human rights, ethics, the environment, and sustainable purchasing.

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 Purchasing Terms and Conditions to which all suppliers must conform: 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.

Action plans

Integration of the sustainable purchases approach in the selection of new suppliers

Schneider Electric uses a qualification process called Schneider Supplier Quality Management to select new suppliers. It is based on an evaluation questionnaire combined with on-site audits by Schneider Electric quality specialists.

It includes a specific section on the environment and sustainable development and aims to assess supplier suitability with regard to the Group's expectations in 3 areas:

- social responsibility: ISO 26000 guidelines and, in particular, Conflict Minerals regulations;
- environment: ISO 14001, ISO 14062 on eco-design, REACH and RoHS;
- safety: health, safety standards, accidents and severity rate.

Sustainable development criteria account for nearly 15% of supplier evaluation. In addition, all these criteria have a minimum level, below which a supplier will not be retained to work with Schneider Electric. Schneider Electric carried out 520 audits of this type in 2016. 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.

This qualification process applies to all new suppliers and to existing suppliers in certain cases. All assessed suppliers have an action plan, registered in our central database. These are tracked by our supplier leaders with the suppliers on a monthly or pluri-annual basis depending on the severity of the action plan.

Promotion of a continuous improvement process based on the ISO 26000 standard

A statement on the importance of sustainable development is made to each major supplier of Schneider Electric by its Group purchasing pilot after the latter has been trained in the approach. For these suppliers, in 2012 Schneider Electric began an initiative that is based on an evaluation carried out by a third party.

Sustainable development has become one of the 7 pillars used to measure supplier performance since 2011; allowing the highest-performing suppliers to become "recommended" suppliers. The performance resulting from the third party evaluation is one of the key points of the sustainable development pillar. In 2015-2017, the Group aims to engage 100% of its recommended suppliers in a process of continuous improvement on this pillar. Recommended suppliers represent 62% of Schneider Electric's purchases volume. At the end of 2016, 82.3% of the recommended suppliers have passed the third-party evaluation process, representing over 95% of the purchasing volume of these suppliers. This indicator of the Planet & Society Barometer is integrated into the performance incentive of the Purchasing employees receiving a bonus.

This assessment process requires that the suppliers put in place a corrective action plan. The elements of the assessment are now an integral part of the business reviews scheduled between buyers and suppliers, on a quarterly to yearly basis, depending on the suppliers. This monitoring supposes an improvement from the supplier.

In 2016, the assessment process detected 16 suppliers with low performance on the sustainable development axis. This figure is down by around 25% 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 2016 of increasing the average score achieved in the assessment. This target was reached and the average score increased by close to 10% between 2015 and 2016.

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

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

These situations have been identified as material issues in Schneider Electric's supply chain and unacceptable for a supplier of the Group. Each buyer is expected to be alert to detect any problem areas related to sustainable development themes when visiting a supplier's site. Off-limit cases must be addressed immediately or escalated using the specific defined process.

To support this approach, training was made available to purchasing teams: basic training on the ISO 26000 standard for all purchasers is now part of the standard purchaser curriculum; and more advanced training allows employees to learn how to question recommended suppliers during the business reviews (whether assessed by a third party or not).

For off-limit situations, Schneider Electric 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 September 2016, Schneider Electric gathered more than 100 strategic suppliers in Hong Kong to share our areas for action and to recap our expectations and values. Nine of them were awarded for their operational excellence and their performance, including one for its commitment to sustainable development.

Conflict Minerals rule

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

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

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

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

We also shared with all the suppliers concerned a letter from our Purchasing 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 are committed to contributing to this responsible sourcing initiative as well as responding to our customers' potential concerns. At the end of 2016, we confirmed that more than two-thirds of the relevant purchases are "conflict free". The remaining third is 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 adapted with certain suppliers. In France, Schneider Electric is a major player of the International SME Pact.

On May 6, 2014, Schneider Electric France obtained the "Responsible Supplier Relations" label for a period of 3 years (subject to satisfying the annual monitoring assessments). This label has been renewed following the follow-up audit carried out by a third party in 2016.

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

2.4 Ethics and Responsibility

As a global company, Schneider Electric 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 160,000 employees worldwide. Following the Group's various acquisitions, it has been able to integrate this exceptional professional and cultural diversity. Driven by Group values, the Responsibility & Ethics Dynamics program forms the basis of common references and processes. Schneider Electric's mission therefore takes its meaning from engaging with individuals and organizations in order to help them get the most from their energy from the perspective of sustainable and responsible development.

A common frame of reference: *Our Principles of Responsibility*

Our Principles of Responsibility is a 15-page document, published for the first time in 2002 and updated in 2009 and again in 2013, synthesizing the Group's common commitments to its employees, partners, shareholders, the planet and society. *Our Principles of Responsibility* do not claim to cover all ethical dilemmas, but rather serve as general guidelines to be adopted. They are complemented by global and local policies to provide a precise response to the specific legal and local practices, as well as sector policies (purchasing, quality, environment, etc.).

Our Principles of Responsibility were prepared in compliance with the 10 principles of the Global Compact of the United Nations, the Universal Declaration of Human Rights and standards issued by the International Labor Organization and the Organization for Economic Cooperation and Development. As a result, they address the issues related to respect for human rights, working conditions, protection of the environment and the anti-corruption principles.

Today, *Our Principles of Responsibility* have been translated into 30 languages and sent to all Group employees. They are also accessible on the Group's official website and intranet. In addition, a clause was added to employment contracts of new employees to ensure that they are aware of this document from the time they join Schneider Electric. Moreover, since 2015, managers have been asked to sign a letter of acknowledgment to comply with and promote *Our Principles of Responsibility* to their teams. The implementation of the ethics charter 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.

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

- 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 Purchasing, 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.

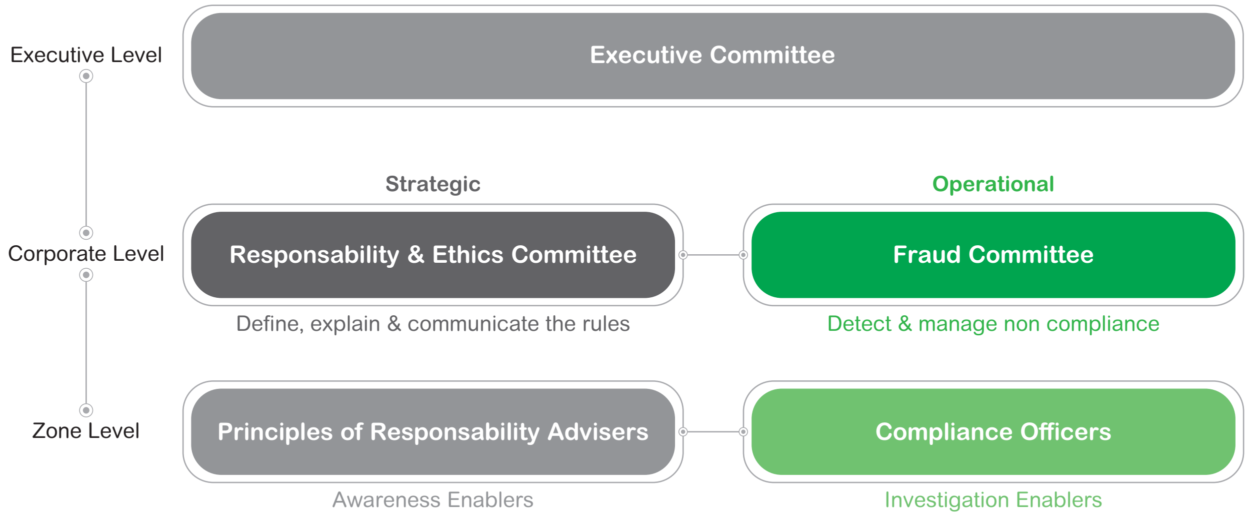
In 2016, 236 ethical alerts were escalated in the R&ED line system: 47% of them concerned potential breaches of our code of conduct on financial matters; 34% were related to potential discrimination, harassment or unfair treatment cases; the 19% remaining were related to potential violations of other Schneider Electric policies.

Dedicated teams and organization

The program requires implementation of an organization including the following:

- a Responsibility & Ethics Committee responsible for setting program priorities and the company's ethical vision; it comprises 3 members of the Executive Committee: Strategy, Legal & Finance, and Human Resources;
- 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, during the 2015-2017 period, all Group entities must 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 is 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 2016, 93.4% of entities had successfully completed this assessment. The aim is to achieve 100% by the end of 2017.

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 2017 *World's Most Ethical Companies* index for the seventh year running.

Schneider Electric is one of just 124 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.

2.5 Anti-corruption

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

- the implementation of the Business Agent policy and the Gifts & Hospitality policy, created in 2015, continued throughout the year in the different business units and subsidiaries;
- the new Anti-Corruption policy was approved at the end of 2016 and it is scheduled to be rolled out at the start of 2017;
- 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 June 2016, Jean-Pascal Tricoire was the guest of honor at the annual Transparency International France dinner; at the event, he was asked to speak on anti-corruption worldwide and more specifically in Asia;
- Schneider Electric's African subsidiaries received anti-corruption compliance certificates issued by Ethic Intelligence for their activities on the continent: Schneider Electric Egypt & North East Africa, Morocco, Nigeria, South Africa, and Conlog; this is a major initiative by Schneider Electric in its efforts to combat corruption on the African continent which is noted for the depth of its action; this initiative will be extended to include other subsidiaries on other continents, in the Middle East in particular;
- to promote integrity and reinforce the message from top management, a video module has been specially created and integrated into the new e-learning module dedicated to *Our Principles of Responsibility*; this compulsory module is now part of the onboarding package for new employees;
- specific training and educational materials have been developed for some functions, such as the Purchasing 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.

2.6 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, 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.

We have already started the second step concerning the assessment of current and potential risks by mapping the countries where we are the most exposed, based on internal and external indicators. We will reinforce our prevention initiatives in these countries by training our employees of the most exposed functions, such as the Purchasing Department. Training sessions will also be scheduled for some suppliers coming from these countries, depending on the commodity provided to us; moreover, the Human Rights policy will be included as a reference in the selection of our main business partners.

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 its purchasing strategy, Schneider Electric has defined "off-limit situations" at suppliers'; child labor is one of these. Such situations are unacceptable for a Schneider Electric supplier. Processes and training are being deployed within the purchasing function to learn how to detect these situations and react when facing an ethical dilemma.

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. Moreover, we are committed to conducting due diligences of relevancy in high risk locations or projects and to incorporating this policy through the annual key internal control campaigns led by Internal Audit.

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.

In 2017, we plan to deploy a dedicated grievance mechanism for our external stakeholders to report any breach of the policy. The violation may involve Schneider Electric employees or one of its business partners. Each case will be managed internally with the highest level of gravity by the Fraud Committee.

3. Schneider Electric's commitment to environmental performance

This chapter deals with the environmental impact of the Group's global supply chain and logistics activities (its "Global Supply Chain"). It also deals with the way Schneider Electric products are designed, taking into consideration ambitious environmental expectations on compliance, transparency, and resource efficiency (sections on "eco-design", "Green Premium" and our "Materials and Substance strategy"). The products, services and solutions offered by Schneider Electric which help reduce the environmental impacts of its customers' activities are described in part 2 (page 65).

3.1 Overview

Context and goals

Schneider Electric has defined a clear 2020 environmental strategy defining 15 priority initiatives and related goals across 6 environmental domains, fully aligned and supporting our *"Schneider is On"* 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 really embed everything we do, from strategy, R&D, down to the value we bring to our customers. The tagline of our Global Environment Day on June 2, 2016, inviting all our 160,000 employees to celebrate their achievements and innovations for the environment was "A Passion for Green Growth": it really summarizes how we see the environment at Schneider Electric.

Briefly introducing the 6 domains of our environmental strategy, our 2016 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. Furthermore, through our efforts in R&D and eco-design, we design 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 on their hands, in addition to our own supply chain efforts. Our climate bond, issued in October 2015, was precisely focused on the financing of such R&D efforts towards low-CO_2 offers for customers, and received an international award and recognition in early 2016, as the most innovative Climate Bond for its "use of proceeds" (which was toward low-CO_2 R&D). On the resource side, we mapped our overall resource footprint (copper and other metals, plastics, packaging, wood, gases, other resources), and have a clear understanding of the major impacts and stakes, and areas for further resource decoupling are prioritized;
2) **building an increasingly Greener Supply Chain.** Resource efficiency and productivity are our mottos. This report contains specific sections about our efforts and sustained achievements towards energy efficiency, reduction of transportation and manufacturing externalities, green Best Available Techniques adoption 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, this year again our sites delivered a further 7.1% improvement in their energy efficiency compared to 2014, which is in line with our ambitions set for the year, and follows many years of prior energy efficiency improvements;
3) **considering Waste as Worth.** We drive an "obsession towards zero waste" across our 1,250 facilities globally. Waste minimization, reuse, recycling, and land 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 99 plants receiving the 'Towards Zero Waste to Landfill' designation. We are successfully diverting thousands of tons of waste from landfill, year after year, and saw since 2014 a strong increase (+6 pt) of our waste recovery ratio globally. Our efforts in eco-design and industrialization space 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™ ecoLabel.** An increasing share of our customers is increasingly valuing our offers' environmental credentials, and keen to quantify their environmental (*e.g.* kWh, CO_2, water) benefits at their end. Towards this goal, Schneider Electric has been investing significant resources for many years to design and implement an innovative ecoLabel, Green Premium™, which by end 2016 covered more than EUR10 billion (which is 74.8%) of our product-based turnover. This label benefited in 2016 from a set of further innovations, such as new features of our MySchneiderApp with QR Code capacity, allowing customers, channel partners, and electricians alike 24/7 access to digitized environmental information (REACH, RoHS, Product Environment Profile/PEP, End-of-Life Instructions/EoLI). We also developed tools and communication materials for our customers as well as front-office teams to articulate in non-technical terms the value-addition for our customers of our offers environmental differentiators: beyond superior transparency or digital access to data, many of our offers go beyond regulations and provide "super-safe" products to our customers globally, and peace of mind. Quantification of CO_2 gains for concerned solutions has also made some good progress in 2016, with 9 pilot projects — regardless of size — fully carried-out and methodologies and processes developed, towards our target of 100% of large solutions being provided with full CO_2 impact and gain assessment for customers by end 2017;
5) **implementing a Circular Economy in a variety of ways for our customers' satisfaction.** Schneider Electric circularity expresses itself in many ways. On the resource and waste sides, we have covered above how we work towards wasting less and reusing more, and progress is underway. On the offer side, we have innovated in a variety of ways. We grew our field services and Retrofit (ecoFit™) revenues in 2016. Such services help us 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, as much as a fantastic lens to drive further innovation and value-addition for our customers and the planet alike;
6) **constantly strengthening our efforts towards robust environmental governance.** Besides the 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 *"Schneider is On"* company program, we meanwhile strive to address key risks and changing expectations of our global ecosystem.

For this section, 5 key performance indicators have been set in the Planet & Society Barometer for the duration of the *"Schneider is On"* program (2015-2017):

Objectives for year-end 2017	**2016**	**2015**	**2014**
1. 10% energy savings	7.1% ▲	4.5%	-
2. 10% CO_2 savings from transportation	11.2% ▲	8.4%	-
3. Towards zero waste to landfill for 100 industrial sites	99 ▲	64	34
4. 100% of products in R&D designed with Schneider ecoDesign Way™	81.6% ▲	13.3%	-
5. 75% of product revenue with Green Premium™ éco-label	74.8% ▲	67.1%	60.5%

The 2014 performance serves as a starting value for the Planet & Society Barometer of the "Schneider is On" program between 2015 and 2017.
▲ *2016 audited indicators.*
Please refer to pages 111 to 114 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 77 for indicator 1, 79 for indicator 2, 84 for indicator 3, 80 for indicator 4 and 81 for indicator 5).

Organization

At Group level, the Environment Director 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 environmental managers 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 officers are nominated in each region. They are responsible for implementing the Group's policies across all sites in their geographical perimeter, including plants, distribution centers, as well as some services sites, national and regional headquarters, commercial entities and R&D centers. In each team, an environmental manager coordinates teams across a group of sites (clusters) and for each site. These environmental managers are in charge of reporting on performance as well as coordinating progress plans;
- for logistics: the Logistics Director and his/her teams within the Global Supply Chain Department are in charge of reducing and measuring CO_2 emissions from freight at Group level;
- for countries and commercial entities: environmental managers for each country, responsible for local reporting actions where necessary, monitoring regulations, taxes and national opportunities as applicable (*e.g.* national transcriptions of the WEEE in relation to end-of-life product management, monitoring of RoHS China, etc.), the proactive management of local environmental initiatives, and relations with local stakeholders;
- for the other functions: environmental managers or correspondents, in functions such as: Purchasing, Finance, Insurance, Marketing, Industrialization, Security, Mergers and Acquisitions, Sustainable Development.

Various governance bodies enable these communities of experts and leaders within the Environmental function to meet every month or every quarter, depending on the topics and entities, to ensure coherent application of Environment policies and standards throughout the Group. To implement these policies, Environmental leaders coordinate a network of more than 400 managers responsible for the environmental management of sites, countries, product design and marketing.

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

To educate all employees on environmental issues, and to give them the necessary skills, e-learning modules have been developed on circular economy, CO_2 and eco-design. Additionally, an Environment Intranet site is accessible by all employees to inform about our ongoing programs, best practices, results, goals and upcoming deadlines. In June 2016, 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.

3.2 Reduction of CO_2 emissions

Approach

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 COP22 year, we can mention the following initiatives and achievements:

- commitment to align our CO_2 reduction target with the recommendations of IPCC scientists to limit global warming to 2°C by joining the Science-Based Targets initiative (initiative supported by CDP, United Nations' Global Compact, the World Resources Institute and WWF);
- communication of an update on our 10 sustainability & CO_2 commitments taken in 2015;
- 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;
- design and pilot of our rejuvenated ecoDesign Way™ process, with systematic consideration of CO_2 impacts in product profiling at time of design, build, and launch. We have exceeded our 2016 target, with 81.6% of new significant offers eco-designed, against a target of 50% for 2016;
- provision of Product Environment Profile (PEP) information, containing CO_2 data, for more than 150,000 SKUs (stock-keeping units) and available in a smartphone App-enabled solution named "MySchneider"; PEPs are in line with the ISO 14025 standard verified in the frame of PEP ecopassport operator;
- further development of CO_2 quantification tools to allow easy calculation of CO_2 impacts and the benefits of our solutions for our customers;
- 101,508 tons of CO_2 avoided since 2015 through maintenance, retrofit and end-of-life services;
- reduction of 7.1% of our energy footprint compared to 2014 and issuance of an Energy Policy to drive further the reduction of our energy intensity and CO_2 emissions;

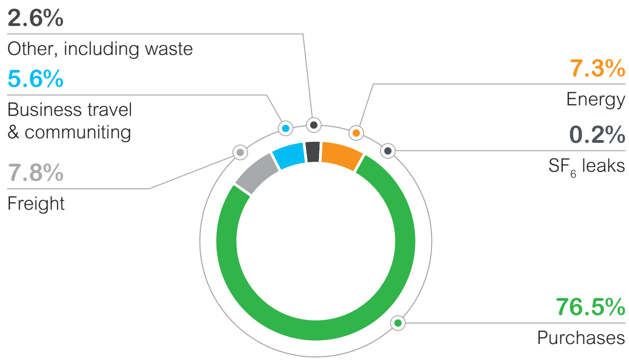
- reduction of 11.2% in our logistics CO_2 footprint compared to 2014, ahead of our objective to reach -10% at the end of 2017;
- commissioning of renewable (solar in most cases) energy sources on some of our key manufacturing and commercial sites, enabled by Schneider Electric solutions.

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

CO_2 footprint

The main source of Schneider Electric's carbon footprint is the purchase of raw materials and equipment (c.76% of our carbon footprint). Emissions due to the use and end-of-life of our products and solutions are significant and are not yet included in our reporting. We are currently working on a methodology to quantify this impact, together with CO_2 savings enabled by our offers.

Logistics, including freight paid by Schneider Electric, represents 7.8% of our carbon footprint. Emissions in Group buildings represent 7.3%, employees' travel and waste respectively 5.6% and c.1%. 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.



Schneider Electric has scored 100A in CDP (former Carbon Disclosure Project) in 2015, and A (Leadership level) in 2016.

Climate change risks and adaptation

As a corporation, we are strongly sensitized to climate change and we take an active part to a variety of multi-stakeholder organizations to join hand and promote solutions, plead for a price to CO_2, and strengthen CO_2 governance globally.

As far as risks are concerned, 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, as much as 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 well balanced. The nature of our manufacturing processes (mainly assembly) allows rebalancing of manufacturing lines in a fairly prompt manner.

As far as climate change risk in the form of a possible future cost to CO_2, we have estimated the possible impacts on our 500 to 700 $ktCO_2$/year (scopes 1 and 2 as per the Greenhouse Gas Protocol).

Action plans

Reduction of SF_6 emissions

All the Schneider Electric manufacturing plants and R&D laboratories handling SF_6 gas in their processes are managing the reduction of SF_6 emission during the different phases of their activities. Notably, the tightness 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 is 0.34% by end 2016. This SF_6 leakage reduction enabled to reduce CO_2 emissions by 4,900 tons of CO_2 equivalent in 2016 vs. 2015.

A worldwide community of SF_6 experts is sharing best practices for processes, including procedures, equipment, trainings. Thanks to this global animation 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 in 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 can contribute themselves to CO_2 savings.

Around 7% of total Group CO_2 emissions come from energy consumption at its sites (according to the carbon footprint). Since 2005, Schneider Electric has fixed annual objectives for reduction and publishes (internally) the energy consumption of each of its production and logistics sites each year, as part of the Schneider Energy Action program.

During previous company programs One (2009-2011) and Connect (2012-2014), the Group set itself the goal of achieving a reduction in its energy consumption of 10% (on each program), *i.e.* a total of c.20% in 6 years.

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

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

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

- reduction of energy consumption by 10% over 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;
- 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.

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 Energy Operation software suite, part of Schneider Electric StruxureWare platform. Energy Operation provides a data visualization and analysis application that aggregates volumes of raw energy data into actionable information. As a cloud-based software as a service (SaaS) model, it provides reduced solution cost, increased data storage capacity, and a flexible and mobile energy solution enhanced by Schneider Electric expert services.

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.

At the end of 2016, this program enabled the following achievements:

- 7.1% reduction in consumption compared to 2014 was achieved (climate and level of production standardized) for the 220 sites with the highest consumption, covering 77% of the total energy consumption published by the Group; this result is in line with the overall objective to reduce energy consumption by 10% end of 2017 compared to 2014;
- 129 sites are ISO 50001 certified in line with the 2017 aspiration of 150;
- about 5 million euro and 70 million kWh were saved in 2016 compared to 2014 baseline, thanks to the 7.1% energy savings;
- about EUR9 million was invested, of which EUR8.7 million in capital costs and EUR0.3 million in operating costs.

The Green IT program

Green IT is a worldwide program to reduce the electrical consumption of Schneider Electric's IT infrastructure (data centers, servers and IT devices). It addresses all phases of the life cycle of IT devices and involves a close partnership with the Group's equipment and services suppliers, so as to also help reduce their carbon footprint.

Main objectives of this initiative are:

- to optimize the number of data centers and their energy management features, using Schneider Electric products and solutions;
- to ensure the continuous training of the IT teams, implementation of continuous improvement plans and best practices to reduce the use of electricity of all IT devices from the data centers to the end user;
- to optimize and reduce the Group's server footprint by virtualization and or by leveraging virtual private and/or public clouds where appropriate.

In 2016, Schneider Electric;

- established a Cloud Services operating model; leveraging its partners, the Group sustainably grew the consumption of cloud services and the number of virtual machines in the cloud;
- continued infrastructure transformation across all geographies including virtualization, consolidation, centralization and decommissioning of over 1,100 of the Group's servers, storage and associated infrastructure;
- consolidated various regional/local data centers to a single outsourced operating model and data center supporting 60,000 users across the Europe, Iberia, South America and Middle East regions;

- continued with phase 2 of the transformation of China IT operations into a single managed energy efficient data center, utilizing Schneider Electric's IT Business power solutions;
- continued digitization including increased utilization of new corporate social media solutions and devices, improving the Group's collaboration and communication process while reducing paper, email exchanges and further leveraging cloud data storage.

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

- implementation of a Global Unified Communication Strategy leveraging the cloud to improve messaging, web conferencing, audio, video and virtual presence services globally, which will include the decommissioning of our current legacy messaging servers;
- continued focus on application rationalization and cloudification.

Actions to reduce emissions linked to freight

Target at Group level

From 2012 to end-2014, reduction in CO_2 emissions linked to freight exceeded the target and reached 16% compared to 2011, thanks primarily to the optimization of long-distance freight modes. The program has contributed to save 250,000 tons of CO_2 and EUR5.8 million since the end of 2011, while the investment required was more in the form of changed processes and practices, rather than new expenditures. From 2015 to end-2017, as part of the 3-year company program *"Schneider is On"* and the Planet & Society Barometer, it has been decided to renew the CO_2 transport emissions reduction program. A goal of a relative reduction in emissions of 3.5% during the first year has been validated, with the ambition to achieve a reduction of 10% over three years.

At the end of 2016, the 10% target has been met one year in advance with a 11.2% reduction in 2016 compared to 2014. However, this figure varies significantly across the different modes of transport with a reduction of 23.8% on long-distance freight (air/sea) and a reduction 1.6% on short-distance freight (road).

Long-distance freight

As of end-2016, the CO_2 emissions of long-distance transport has been decreased by 23.8%.

The Air/Sea tool, which determines the standard transport mode according to an ABC/FMR valuation and inventory usage frequency analysis, is applied worldwide and helps to be permanently aware of the best compromise between economic and environmental constraints.

The air freight tonnage was reduced in 2016 *versus* 2015 and represents 7.7% of long-distance tonnage *versus* 8.3% in 2015. This is the result of the implementation in 2016 for all the major shipping locations of the "air approval tool" to question any request of inappropriate air transport use.

Furthermore, the implementation of the ocean containers load factor optimization program improved the load factors, which reached 60.5% in 2016 *versus* 55% in 2015. Accordingly, it led to a significant reduction of containers transported and drives consequently a decrease in CO_2 emissions.

It is also important to notice that this performance has been reached thanks to close collaboration between the Inventory Management teams and Transport teams to ensure common goals in selecting and optimizing the means of transport.

Short-distance freight

As of end-2016, the CO_2 emissions of road transport had been decreased by 1.6%.

We are starting to reap the benefits of our Lead Transport Providers strategy and also the implementation in several regions of a Transport Management System. The objective is to optimize the truck load factor so we reduce the numbers of trucks.

- In EMEA, NAM, SAM, and the Pacific, this strategy has been implemented by leveraging strategic logistics services providers equipped with transport optimization functionalities and platforms capabilities.
- In other regions like China, India, and East Asia, the deployment of the Oracle OTM tool (Transport Management System) has been engaged to optimize the delivery rounds and the truck load factor.

Participation in several key initiatives

In order to continually improve the CO_2 emissions performance and the reporting quality, Schneider Electric is currently negotiating a partnership with one of his key service provider to standardize CO_2 emissions reporting. Their methodology has been certified by Bureau Veritas.

- One pilot has been successfully conducted in Europe.
- The implementation of phase 1 is scheduled for Q1 2017 on a limited scope, with the ambition to extend to all EMEA road transportation within 2017 and globally in 2018.

3.3 Eco-Design

Approach

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

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

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

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

1) Management of the substances and materials used in the products

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

Schneider Electric has made this effort a reality with the Green Premium ecoLabel by making REACH declarations, RoHS certificates for Europe and China, Product Environmental Profiles (PEP) and end-of-life instruction guides (EoLI documents) available to its customers.

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

2) Product design

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

In 2016, 81.6% of our tangible product offers are eco-designed with embedded environmental considerations. The objective by 2017 is that all projects to design new Schneider Electric products will have implemented this method.

The method is strongly driven by Schneider Electric's desire to place on the market products that are part of the circular economy by offering greater maintainability, reparability, capacity for retrofitting, and reprocessing at the end of the life cycle. The method also places emphasis on energy efficiency and lower CO_2 impacts compared to baselines.

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

The Group's customers benefit from these commitments, which allow them in turn to achieve a portion of their own commitments with regard to CO_2, the environment, energy efficiency or other issues. Schneider Electric also finds that a growing percentage of its customers expect these commitments, welcome their progress, and use the digital tools in which the Group provides them with all the environmental information for more than 150,000 SKUs (stock-keeping units).

3) WEEE Regulations

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

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

Action plans

Substance Management

After updating its Substance and Materials strategy in 2015, Schneider Electric implemented it in 2016. The objective is to be closer to the market expectations, to be in compliance with the most stringent regulations and directives in term of human and environment protection, and finally, to anticipate the obsolescence of materials or components to secure its supply chain.

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

In 2016, Schneider Electric continued its vast plan to replace all the substances under REACH authorization process. At the end of 2016, nearly the whole Schneider Electric portfolio was declaring substances below the thresholds and the situation is monitored by monthly KPIs (Key Performance Indicators).

The RoHS and REACH programs, initiated in 2006 and 2008 respectively, are supported by a project to collect environmental declarations from materials and components' suppliers. These declarations are updated every 6 months (following updates by the European Union), in order to maintain the environmental declarations for Schneider Electric products up to date. In 2016 a global process, in line with EN50581 standard and describing all the steps of substances management, was updated. It is deployed early 2017.

The RoHS program is intended to eliminate the 6 substances cited from all products. By deciding to eliminate these substances from all its products, whether or not affected by the directive or sold on the European market or worldwide, Schneider Electric has exceeded the directive's requirements. New substances (4 phthalates) have now been incorporated in the RoHS regulation (entry into force in 2019) and modifications in our IT systems have been carried out in order to take this evolution into account.

Mid 2016, China RoHS came into force, banning the use of historical EU-RoHS substances with significant differences in the management of exemptions. Schneider Electric worked actively early 2016 to deliver appropriate China RoHS declarations, including Hazardous Substances Table, available online on our Information Systems accessible to customers and business partners, since July 1, 2016.

The REACH program is intented to:

- ensure that substances used by Schneider Electric and its subsidiaries are registered and authorized for the applications in question, in accordance with regulations;
- specify the information to be provided to customers about the presence and level of Substances of Very High Concern (SVHC) in Schneider Electric products;
- perform the substitutions of SVHC that are listed in Schedule XIV (marketing of these substances only with the authorization of the European Commission); even if those substances could be used in Schneider Electric products, the Group Eco-design policy declares them as substances for substitution;
- adapt the Safety Data Sheet management process based on REACH requirements.

In 2016, the REACH program continued to take into consideration the updates of Substances of Very High Concern list published by the European Chemicals Agency (ECHA). At the end of December 2016, the communication of the presence and content of these substances included 169 hazardous substances.

Schneider took into account the European Court of Justice decision of September 10, 2015 in case C-106/14, and is working actively on process and tools modifications in order to be ready to adapt its communication to customers in 2017.

Green Premium EcoLabel

In order to continue and strengthen its commitment to transparency, strong products' environmental credentials, and proactive provision of full environmental information in a digital manner, for several years Schneider Electric has been developing Green Premium, a unique ecoLabel, based on clearly defined criteria, either in terms of environmental regulations or international standards. These criteria include *ad hoc* environmental information on its products that can be accessed on line.

A product is declared Green Premium if it meets the following 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).

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

As part of its 2015-2017 company program, Schneider Electric is strengthening its Green Premium ecoLabel by giving it new impetus and expanding its scope of application to offers resulting from recent acquisitions, and is renewing communication on its deployment through the Planet & Society Barometer. The objective at year-end 2016 of recording 70% of product revenues with offers labeled Green Premium was exceeded, with 74.8% (revenue of nearly EUR10 billion covered by products that carry the Green Premium ecoLabel).

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.

3.4 Eco-efficient manufacturing

Approach

Schneider Electric has rolled out ISO 14001 certification to all its manufacturing and logistics sites comprised of more than 50 employees and to large tertiary sites. 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, shown in the table on pages 119-121:

- 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 "Toward zero waste to landfill";
- consumption of water;
- VOC emissions (Volatile Organic Compounds).

Action plans

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 Groups' headquarters in Rueil-Malmaison, France was certified in 2010.

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

Water consumption

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.

Water is not generally a critical resource in Schneider Electric's industrial processes. The topic was considered not very material by both internal and external stakeholders during the materiality analysis.

As Schneider Electric industrial production is mainly based on manual 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 sanitory purposes, sometimes for cooling 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, sanitory, 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. Sanitory*, canteen, and gardening usage represents 64% of the total. Industrial processes represent 32%.*

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 sanitory 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.

Energy consumption

See the Group's energy consumption action plans page 77.

Waste

See the Group's waste action plans page 84.

Conditions of use and release into soils

Virtually all Schneider Electric sites are located in urban or industrial areas and do not affect any notable biotopes. None of the Group's businesses involve extraction or land farming.

In 2016, Schneider Electric conducted its annual review of pollution risks at all manufacturing sites as part of ISO 14001 monitoring. No unknown issues were reported in 2016. Hazardous materials are systematically stored, handled and used in compliance with regulations and with appropriate pollution protection mechanisms.

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 major spills or discharges were reported in 2016. In 2016, Schneider Electric UK incurred a fine for an SF_6 leak which occurred at a customer site in 2013 (see Industrial and environmental risks page 42).

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.

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 and odors

All Schneider Electric sites comply with noise and odor regulations.

Environmental risk management and prevention

The Group takes a proactive approach to managing environmental liabilities. 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.

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.

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.

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. In spite of these actions, Schneider Electric USA agreed to pay a penalty as a result of alleged failures at a US site (see Industrial and environmental risks page 42).

During 2016, no other new material environmental impacts were identified. Furthermore, no Schneider Electric sites are Seveso classified.

3.5 Circular economy

Approach

The Circular Economy concept is gaining momentum in the European Union (notably through the 'Circular Economy package'), in China and in other major regions of the World. 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). Industry sectors often used to illustrate the too linear nature of our world economy range from agriculture and food (where waste levels are estimated by the FAO – Food and Agriculture Organization – as close to one-third of total food produced), to smartphones, and apparel, amongst others. On a broader scale, it is recognized that the global economy consumes its "annual entitlement" of natural resources by around early August ("Earth Overshoot Day" was theoretically positioned on August 8 in 2016), which in other terms means we consume 1.5 planets or contract a massive ecological debt each year. In light of these megatrends and growing concerns, the importance of building increasingly circular supply chains and value propositions is rapidly growing.

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

- resource circularity;
- product and value proposition circularity.

Resource circularity relates to our efforts to use fewer resources and maximize recycling, using recycled and biosourced materials whenever possible.

Product and value proposition 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, which makes our current products fairly performant in this area), and which come with a range of services for modernization and upgrades, retrofit, etc., thus prolonging their lifespan. Such value propositions also 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.

Action plans

Raw material consumption

Schneider Electric focuses on making its devices more compact to conserve natural resources so that customers have more environmentally friendly products to choose from. Compacity also helps save space on our customers' side, whether in their machines, data centers, or buildings, and product compacity brings other benefits which cannot be neglected. The Group has notably developed design tools to optimize the amount of materials required in production to manage thermal and electrical constraints. Product Environmental Profiles (PEP), available on the Internet, list the materials used in products, with details on volumes per type of material.

Schneider Electric's desire to reduce its environmental impact has also driven its focus towards the use of recycled raw materials. For example, about 85% of cardboard used in Europe, 100% in China and 60% in North America comes from recycled material. Metals purchased globally also include recycled material from recovered waste. A UNEP (United Nations Environment Program) report published in 2011 showed that while 18 metals have a recycling rate of over 50% (lead, gold, silver, aluminum, tin, nickel, zinc, copper and iron, etc.), 34 elements have a recovery rate below 1% (such as rare earth elements). Schneider Electric participates in the recycling systems *via* the recovery of its own waste, with a 2017 target of 100 sites achieving the requirements of "Towards zero waste to landfill" (see below) and *via* the provision of end-of-life instructions for its products, which can be accessed easily by customers on the Internet or through MySchneiderApp.

End-of-life processing of products

The UNEP recommends that priority be given to product design in order to facilitate disassembly and recovery of metals at end-of-life, with an emphasis on electrical and electronic equipment (WEEE). In line with these recommendations, and to facilitate end-of-life processing, whenever possible Schneider Electric chooses materials that are easy to recycle and clip-together components that are easy to disassemble. Life cycle analyses and recyclability assessments also help the Group identify areas for improvement.

For more information on the Schneider Electric global action plan relating to PEP and to end-of-life instructions, see the Eco-design and Green Premium chapter on pages 80-81.

Waste as Worth

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 *"Schneider is On"* company program, includes:

- the goal of achieving 100 industrial sites sending "Towards Zero [(1)] Waste to Landfill (TZWL)" by 2017; this indicator is now published in the Group's Planet & Society Barometer;
- 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.

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

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 150,000 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 it sent to appropriate treatment facilities.

In 2016, the Group recovered 93% of total waste reported (hazardous and non-hazardous – recovery ratio includes material and energy recovery). This recovery ratio has increased from 81% to 93% 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 to ensure that waste recycling potential is maximized, both in terms of quantity and quality of recycled material. In 2016, the Group notably recovered over 99% of reported metal waste.

Recovery service for equipment containing SF_6

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

Since the beginning of the 2000s, the first devices containing SF_6 gas sold by Schneider Electric are starting to reach their end-of-life. The objective is to develop commercial offers that allow customers to dispose of their end-of-life devices containing SF_6 in order to completely extract the gas and recycle it.

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

At the end of 2016, 19 countries had implemented a recovery process with a local service manager, a recovery solution (Schneider Electric or partner), and appropriate customer tariffs: Australia and France (since 2009), Sweden (since 2010), Germany, Austria, Belgium, Spain and the United Kingdom (since 2011), Switzerland and New Zealand (since 2012), Ireland, the Netherlands and Mexico (2013), Singapore and Costa Rica (2014), Italy and Turkey (2015), Canada and Colombia (since 2016). The 2015 objective was achieved. Norway implemented a public recovery process in 2001. SF_6 recycling is a legally enforced obligation in this country and Schneider Electric's customers' work with the public organizations in charge of electrical and electronic waste recycling.

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).

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

As part of its new commitments to sustainable development, on the eve of the Paris Conference on Climate Change (COP21), Schneider Electric committed to proposing alternatives to the use of SF_6 gas by the year 2020 and to phase out the use of SF_6 gas in its new products by 2025.

Repair and Service Centers

First, 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.

In the Planet & Society Barometer, the objective of recovering 120,000 tons of CO_2 for 2015-2017 has been set. At the end of 2016, 101,508 tons have already been avoided with our refurbish, repair and maintenance services.

4. Committed to and on behalf of employees

4.1 Overview

Context and goals

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 headcounts dedicated to selling solutions and services, while maintaining a share of blue collars close to 50%. All employees are treated equally on the basis of their skills, notably with regard to employment, recruitment, talent identification, training, remuneration, health and safety, thanks to common processes and policies.

Schneider Electric's People strategy is founded on the principle of transforming the Group thanks to a new relationship between employees and the company:

- employee experience from joining to leaving;
- live our company values thanks to a more innovative and more inclusive leadership and culture;
- more effective company: leaner, faster and more agile;
- learning better and faster;
- new skills to lead digital transformation.

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

For this section, 4 key performance indicators have been set in the Planet & Society Barometer for the duration of the *"Schneider is On"* program (2015-2017):

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

The 2014 performance serves as a starting value for the Planet & Society Barometer of the "Schneider is On" program between 2015 and 2017.
▲ 2016 audited indicators.
Please refer to pages 111 to 114 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 87-89 for indicator 1, 91 for indicator 2, 89 for indicator 3, and 95 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

Approach

Schneider Electric holds the health and safety of its employees, customers and contractors as a core value. We strive to be recognized as the leading reference company in the electrical industry. The Group's working philosophy is "one person injured is one person too many". To that end, it continues to build on its well-established health and safety systems and processes, such as its Occupational Health & Safety (OHS) management systems and the Schneider Production System (SPS), to improve upon and consistently apply workplace safety on a global basis. Its Global Safety Directives and Employee Handbook set the direction for the safe manufacture, assembly, and distribution of its products. Its Safety Mandates are as follows:

- safety is everyone's responsibility;
- all injuries and occupational illnesses can be prevented;
- management has a responsibility to train all employees to work safely;
- working safely is a condition of employment;
- preventing safety incidents and injuries contributes to business success.

Action plans

Schneider Electric based its 2016 action plan on the top hazards in their workplace and the most serious employee injuries that have occurred. These include:

- electrical safety;
- non-routine work & customer worksites;
- machine guarding;
- road safety.

The resulting action plans have included program revisions reducing the potential for arc flash incidents, the implementation of new proactive indicators, the development of Guiding Principles and Golden Rules for global service activities, and more.

2016 actions:

- continuation of the Global Safety Alert program – the system to quickly communicate serious events and their associated corrective actions;
- deployment of a Serious Incident Investigation Process (SIIP) during the first quarter of 2016 in an effort to reduce the number and severity of serious incidents (those accidents requiring hospitalization or extensive lost time);
- Global Integrated Management System (IMS - Includes ISO 9001, ISO 14001 and OHSAS 18001) – Certification was received in Asia Pacific in 2014. North America began the certification process in 2015. In 2016, the IMS was launched in the EMEA region. Locations from around the world will continue to receive certification in 2017;
- the fourth year of the Global Safety Standardization deployment – the program to standardize safety best practices globally; in 2016, 4 initiatives were approved for standardization – Machine Safety Verification, Automated External Defibrillators (AEDs), Powered Industrial Trucks (PITs), and Emergency Response Visibility;
- the fourth year of global implementation of the Annual Safety & Environmental Assessments (ASEA) – an internal audit system focused on critical safety and environmental elements that are applied on a global basis to ensure compliance with standardized OHS and environmental processes, practices and procedures;
- revision of the Schneider Production System (SPS). The SPS is a tool to evaluate and drive continuous improvement in our manufacturing and logistics processes. A review of the safety component of the SPS has taken place and the next version of SPS has a much stronger safety component that includes requirements for proactive indicators and focus on the top safety hazards within our business (hazards associated with machines, electrical, falls, PITs and the roadway);
- continued improvements to GlobES (Global Environment and Safety data management system used to track our key performance indicators);
- implementation of global proactive indicators focused on near miss events, safety ideas and safety opportunities;
- task force implemented in EMEA focused on arc flash awareness, training, qualification and prevention.

Objectives

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 cases per million hours worked. This measure allows for an in-depth evaluation of workplace hazards, and the resulting corrective actions assist in the elimination of recurring incidents and the prevention of injury. The Group has used the MIR as a key performance indicator on a global basis since 2010. The current target is to reduce the MIR over a 3-year period (2015-2017) by 30% compared to 2014 MIR result. Annual reduction goal for MIR is 7% year over year.

The second and third indicators are the Lost-time Incident Rate (LTIR) and the Lost-time Day Rate (LTDR). The LTIR measures the number of medical cases that incur lost-time work days per million hours worked. These lost-time cases are indicators of a more serious type of medical case. The severity of these cases is indicated by the LTDR which measures the number of days lost due to lost-time medical cases per million hours worked. Schneider Electric has used the LTIR and LTDR as key performance indicators on a global basis since 2012, replacing similar indicators at that time. Annual reduction goals for LTIR and LTDR are 10% year-on-year.

The 2016 results for MIR, LTIR and LTDR are as follows:

- MIR 2014 = 1.85; MIR 2015 = 1.53; MIR 2016 = 1.24; annual reduction (2016 vs. 2015) is 19%; Planet & Society Barometer reduction (2016 vs. 2014) is 33%;
- LTIR 2015 = 0.92; LTIR 2016 = 0.75; annual reduction is 18%;
- LTDR 2015 = 25.10; LTDR 2016 = 17.88; annual reduction is 29%.

Certifications

In 2009, Schneider Electric began the implementation of occupational health and safety management systems that meet or exceed the requirements of OHSAS 18001 standards. In 2011, the Group revised the requirement to specifically include certification to OHSAS 18001 (or equivalent) at 100% of its manufacturing and logistics sites (sites with more than 50 people and within 2 years of creation or acquisition). In 2014, the Group implemented a global Integrated Management System (IMS) which combines the management systems associated with OHSAS 18001 (Safety), ISO 14001 (Environmental) and ISO 9001 (Quality). This streamlined the systems for the locations participating within the IMS, saving time, resources and costs. Almost 250 locations were certified to the Global IMS at the end of 2016.

Training and Communication

Training and communication are key components of the Health & Safety program at Schneider Electric. The Group is committed to providing awareness level and task specific training for its employees and contractors to ensure a strong knowledge base to work safely. In 2013, a new emphasis has been placed on ensuring all employees receive a minimum of 7 hours of training per year, including OHS related training. The global training database, My Learning Link, tracks course requirements and course completions.

As the specialists in all things relating to electrical application, in 2015 we launched a team of “Edison Experts” to further advance our internal competencies in electrical safety, contractor safety, customer worksite safety, ergonomics and Lock-Out Tag-Out. In 2016, 23 Edison Experts engaged in global and regional continuous improvement projects concerning safety.

Communication is vital to an effective global Occupational Health and Safety (OHS) program and the Group is using many communication methods to share OHS concerns, best practices, and successes. Key communication platforms include the Safety, Environment and Real Estate (SERE) intranet, the global quarterly SERE newsletter, Global Safety Day, Quarterly Safety Topics, webinars covering safety related training topics, performance reports, and action plan updates.

Each quarter, a safety topic is selected as a focus area for the quarter. A global community works together for a number of weeks to prepare a wide range of communication material including CCTV monitor slides, training slides, bulletins, posters, leader briefing cards, video and promotion images on the topic. The material is promoted through each region and widely used. 2016 quarterly topics included Machine Safety, Electrical Safety, Road Safety and Sustainable Workplace Safety.

Accomplishments

For the fourth year, Schneider Electric set aside a day to recognize and celebrate safety in all of its locations globally. The theme for Global Safety Day 2016 was Sustainable Workplace Safety, with the slogan “We Care”. As part of Global Safety Day, more than 1,200 “We Care” posts and more than 400 sustainable workplace solutions were shared on our company social media portal, called Spice Social.

As a result of our 2016 program activities and action plans, Schneider Electric had more than 100 fewer workplace injuries in 2016 *versus* the results in 2015. Serious accidents have significantly reduced. The overall safety performance at Schneider Electric continues to improve each year, making Schneider Electric one of the safest workplaces of its industry.

Well-Being in our DNA

To 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).

Accomplishments

During 2016, we deployed a well-being training program for our employees, with face to face training completed for over 1,500 top leader and 500 well-being champions and global online training sessions available for all employees, where over 6,000 employees were trained. We launched an ongoing program of global webinars focusing on specific topics with 8 sessions completed during 2016 on recognizing stress and burn-out, the power of sleep to drive sustainable performance and how appreciation creates value.

Schneider Electric held a well-being week to raise awareness about the importance of the program through various global and local events and activities (learning, healthy food, yoga, meditation, etc.) promoting the program. During Well-Being week, a Well-Being Lab initiative was launched where teams of people are encouraged to share, experiment and implement actions to take care of their well-being. During 2016, more than 500 well-being labs were registered in 43 countries.

4.3 Employee engagement and talent attraction

Approach

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

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

Schneider Electric brand values

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

- 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.

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 a large numbers of 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 2 years, which is embedded in our *Schneider is On* 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.

Action plans

Employee engagement and OneVoice

Set up in 2009, the OneVoice internal survey was designed to measure employee satisfaction. The survey has evolved to include the level of employee engagement on top of employee satisfaction to derive a more holistic view of employee sentiment on the ground.

Our OneVoice survey in numbers at the end of 2016:

- 100% of employees surveyed twice a year *i.e.*:
  - 157,000 emails sent,
  - 82,000 people reached *via* "kiosks" on 272 production sites,
  - 3,300 managers receiving a dedicated report;
- a constantly improving participation rate from 62% in 2011 to 79% in 2016.

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, through the introduction of the customer focus question 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 3,500 managers receive a customized report. Following communication of the results, they have to organize feedback sessions with their team in order to foster dialog and build relevant action plans.

A key performance indicator for the Group is the Employee Engagement Index, which is also registered in the Planet & Society Barometer. This Index enables Schneider Electric to compare itself with the best employers in the industry and the best employers in key regions of the world. In 2016, the Employee Engagement Index at Group level is 64% (+3 pt. vs. 2015), above the industry average (59% - 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 2016, the result was 78% (compared to 68% at end of 2012, 76% in 2015).

Employer Branding

Our employer value proposition

Our Employer Value Proposition continues to evolve in step with the business as a whole. Making the emotional connection as to "Why Schneider Electric?" is fundamental in the ability to not only attract the best talent and be an "employer of choice", but also to make that feel authentic with employees as a form of encouragement, motivation and inspiration. Articulating this through promoting Schneider Electric's culture of innovation, international reach and credentials in energy management, allied to personal empowerment, are at the center of the approach.

We continue to deepen connectivity to our Employer Value Proposition in our employer branding materials. We are focused on delivering the best possible experience to our candidates. In 2016, this culminated in the launch of a new careers website to provide a full insight into working at Schneider Electric.

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 – 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 the subject of efficient energy solutions in the cities. Working in pairs with at least 1 female participant, students propose viable solutions for energy management sectors critical to cities, such as: homes, universities, retail, water and hospitals.

The Go Green in the City competition has received a total of around 35,000 participants in the last 6 years and expanded its scope from 8 countries in 2011 to 180 countries in 2016. In these last 6 years, Schneider Electric has seen strong and increasing interest from students for this contest, especially from the new economies. In 2016, due to the addition of semi-finals in China and the US, we saw a marked increase in participation.

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. Ranging from:

- sharing of our business acumen – for example competitions and guest lectureships;
- sponsorship initiatives;
- on campus recruitment events.

This approach has enabled strong talent pipelines to be established for key target skills and greater awareness of Schneider Electric as an employer.

Our employer brand, 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, focus key achievements in 2016 include:

- LinkedIn, the professional networking site, recognized Schneider Electric as one of the leading companies in the world at attracting and keeping top talent;
- Glassdoor, the employer ratings site, recognized Schneider Electric as "one of the best employers in France" – through the ratings of our own people;
- Universum, the employer branding agency, ranked Schneider Electric as one of the "world's most attractive employers" in its annual student perceptions survey, for the 5th year running.

4.4 Fostering talent and skills

The ongoing growth of Schneider Electric's businesses in markets around the world requires the development of leaders and innovators across all disciplines. Matrix organization structures and virtual teams place new demands on employees. The *"Schneider is On"* company program initiatives, such as digitization, simplification, growing services business or customized supply chain, etc., also require ongoing adaptation and skills enhancement. Learning and career development is therefore at the heart of Schneider Electric's Human Resources policy.

Approach

There is a strong focus on Learning in our *"Schneider is On"* 2015-2017 company program. Within this program, 'Step up' defines strong ambitions in training, fosters a culture where employees take the initiative to learn, grow their skills and drive their career development. Employees should feel able to do so regardless of their origin (education, background, nationalities, gender, business, level, etc.).

The following indicators have been defined to track progress in this direction: the percentage of employees who receive a minimum of 1 day's training each year; and the number of empoyees 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.

Schneider Electric places a strong focus on the effective management of talent at all levels. To this end, a talent review process operates across the organization to help ensure that talented individuals are identified and realize their full career potential. Structured succession planning for critical roles helps to accelerate individual career development while maintaining continuity for the organization. In selecting and developing talent, an important consideration is also to foster diversity such as gender and nationalities (new economies as well as mature economies). At the individual level, tools and processes ensure that clear goals are set and tracked in the areas of both performance and development. Managers and employees are able to draw on extensive resources in support of individual development, and these activities are formalized in an Individual Development Plan.

Talent management and performance management processes were brought together *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.

Action plans

Flagship program: Marco Polo

Launched in 2001, Marco Polo is an experiential development program to engage high potential employees in overseas missions. This unique program allows to prepare a future generation of leaders for Schneider Electric, while considering present business needs and anticipating future conditions. Since the inception of the program, the Group has provided over 850 early-profiles from 70 different nationalities with truly diverse assignments in 56 different countries.

Innovation in training

Research shows that building and sustaining a high-impact learning culture are smart business, both in short-term business performance and long-term business growth. Because we want to achieve our business goals and stand out from the competition, we know we must invest in our people and prepare them for the future with the right set of skills. The innovations that Schneider Electric conducted in 2015 are solid steps in that direction.

First, the Group progressed on its digital journey to the transition of its learning catalogue.

We want to promote and foster the adoption of digital learning modalities to both optimize cost and scalability but also encourage learning as a continuous process by the utilization of learning bytes anywhere, at any time. In 2016, we have increased the number of digital training hours available by 10 points up to 35% of the catalogue available, mainly through business driven action plans like:

- make available Ted Talks directly in-line with our transformation and business priorities;
- digitize all our desktop/PC literacy training;
- sign a contract with the top learning provider for software and IT to cope with constant changes in that field, especially for our software developers and IT Department.

This resulted in a +4 points increase in the digital hours consumed, while maintaining a high level of satisfaction from employees.

We also continued to test mobile and offline learning, which will be widely deployed in 2017.

Second, Schneider Electric has successfully tested new approaches.

Extension of a COOC (Corporate (Massive) Online Open Course): in the context of the launch of *"Schneider is On"*, the management of the Group wants to train all managers in the new organization and its impact on work methods. To do this, the Group decided to use a MOOC type platform known as "Schneider IQ". Consisting of 9 modules running for around 20 minutes each, which contain questions, videos, a chat and integrated social network module, Schneider IQ gives employees the chance to discover transversal topics key to the success of the strategy through a mechanism that is innovative, fun and mobile. With more than 14,000 users at year-end 2015 and about fifteen MOOC type modules including some in 8 languages, the platform reached 48,000 unique learners at the end of 2016, with 20,000 visits per month in the last quarter of 2016, demonstrating an increasingly high adoption.

Learning week: for the third consecutive year, the Group organized a Learning week, which was held worldwide from October 3 to 7, with three main objectives:

- foster a culture of self-development: I learn and I enjoy;
- share with colleagues, experts;
- reach one day training per year for all.

Many activities were organized such as webinars and workshops on key subjects, collective e-learning, market place, roundtables with leaders, training courses, employee initiatives to teach professional and personal subjects to colleagues, games, contests, selfies on Spice Social (our social network), etc. Over 40,000 employees actively participated. Consolidated results from the Learning week confirm our success:

- 73% of respondents satisfied;
- 64% are likely to recommend the Learning week to a friend or colleague;
- 94% of respondents think that Learning weeks should continue to be organized in the future;
- 421,000 training hours were registered in October, which is the highest monthly record of 2016 (average monthly progression: 200,000 hours).

Collaborative Learning: a vote was organized to celebrate the most active learning communities utilizing web and social media tools to build collaborative learning groups. These groups are centered on communities with common topics of interest such as New Hires, Action Learning Project Teams, Corporate leadership programs etc. New groups were also launched such as that for Front Line Managers.

First experiment of User Generated content: the objective of the "Leaders and experts teach" is to share knowledge much faster while taking advantage of the changes brought by social media in the way people consume and produce information. We piloted a micro-learning contest that consisted in asking experts of the company to produce their own learning module using one of the recommended platforms (from their smart phone to a more elaborate authoring tool). The best ones have been added to our Learning Management System and promoted to their peers. We plan to extend that concept in 2017, exploring new technologies and topics to foster user generated learning content.

3E and onboarding programs

The 3E program was implemented to collect existing individual development practices at local level. It involves relevant work experience (Experience), managerial coaching and feedback structures (Exposure) and appropriate training investment (Education). The generic 3E playbook for the 19 cross-functional competencies provides ideas for concrete individual development actions. The 3Es have been integrated in the new HR information system, under the individual employee plan. The Group's aim is to give all employees the opportunity to draw up a personalized skills and solid career development plan in collaboration with their managers. In 2016, 75% of our job codes were covered by a Learning path.

From a new comer 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 2016, we went from 49% completion of the digital learning curricula up to 65%.

Organization

Global academies

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 where launched on strategic topics, 96% of them being digital (mostly e-learning and videos). In total, 600 hours of new courses, with 52% of them being digital. 95% of GSC employees did more than one day training and 91% of white collars did more than 5 hours of digital learning;
- 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 in order to impart knowledge, skills and behavior to sell through partners (about 12,000 employees). The curriculum being developed aims to cover both foundational skills for all sales people in contact with customers and advanced courses to address more complex sales environments or coaching skills; in 2015, the academy merged with the Marketing academy to provide even more support for the transformation of the Group in these businesses;

- Solutions 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 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 2016, around 12,500 enrolled candidates from 95 countries have taken the Solutions University learning paths, delivering 7,100 certificates.
- Functional academies: in 2016, 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.

Leadership Development

The ongoing development of leaders within Schneider Electric is seen as a critical element of our future success. "One Leadership" is a suite of programs deployed on a global level by the Leadership Academy to support the leadership development needs of managers at all levels. Approximately 3,500 managers participated globally in the different offers for leaders and senior leaders.

In 2016, we continued to run our legacy high-potential programs LEAP (Leadership Excellence Acceleration Program for high potentials at regional level).

LEAD, an innovative approach to leadership development (Lead to Achieve, Lead to Impact and Lead to Inspire, bringing multi-level leaders together and providing challenging, best-in-class education and exposure opportunities for 260 global high potential leaders), has led to enhanced leadership acumen and accelerated career advancement, ensuring the continuity of Schneider Electric's leadership pipeline.

However, 2016 was also a year of transition towards a brand new type of program to support the High Performance endeavor of the company. With a motto of "Small things, big impact", 2 programs have been rolled out in a blended format of short "workout sessions" of 2 hours live, reinforced by digital nuggets and/or webinars. The themes of 2016 were feedback and coaching. This offer was deployed in North America and China and will be extended to the rest of the world in 2017.

Global tools and enablers

My Learning Link

My Learning Link, Schneider Electric's global learning platform which integrates e-learning, webinars, social learning, classroom learning, assessments and full certification paths, was progressively deployed in all countries in 2013 and took off in 2014. Academies and country-level courses are registered in My Learning Link for 2016:

- 200,000 sessions opened per month;
- more than 15,000 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 training (instructor-led training and digital learning) in 2016; 91% of connected employees completed one or more digital learning courses, compared to 85% in 2015.

No managerial approval is required for employees to register for online courses; employees are actively encouraged to take the responsibility for developing their competencies. This platform is instrumental in developing the skills of the workforce at all levels, supporting business strategies by targeted learning activities as well as enabling them to become a stronger actor in their own development. It is also instrumental in reaching the Group's objective of one day of training per employee per year, which is part of the Planet & Society Barometer.

My Learning Link is also used to deliver online training programs to Schneider Electric customers. In 2015, the Partner Relationship Management (PRM) program was deployed in 10 countries, including a training module that provides our partners with dedicated learning paths based on their area of expertise.

Spice Social

Spice Social is Schneider Electric's social media platform; it also creates a learning environment in which many internal communities can exchange, share knowledge, experiences and documents.

4.5 Diversity and inclusion

Approach

At Schneider Electric, diversity is an integral part of our history, culture, and identity. Having gone through a series of acquisitions, the Group has now operations in over 100 countries, its employees speak more than 50 languages, and 54% of its workforce comes from new economies. The first Diversity Group policy was written in 2006 and, at the end of 2013, Schneider Electric launched a new global Diversity & Inclusion policy. The Group strongly believes that its success and its future depend on its collective ability to:

- reflect worldwide and diverse marketplaces;
- boost innovation with diversified teams;
- leverage the value of the company's diverse character and multiple facets.

More importantly, Schneider Electric believes that in treating all people with respect and dignity, it strives to create and foster a supportive and understanding environment in which all individuals realize their maximum potential, regardless of their differences.

Diversity and inclusion commitments

The new Diversity & Inclusion policy describes how Schneider Electric wants to welcome differences as real value for the company and how its commitments should be addressed and implemented across the whole company. The Group works through the following major commitments:

- value diversity at all levels of the company:
  - we want our employees to reflect the diversities of the communities in which we operate, believing that true value results from integrating these diversities,
  - we want to achieve the same level of commitment across the whole company, in all countries where Schneider Electric operates,
  - we want to promote equal opportunities and respect of diversity at all levels of the Human Resources processes and make diversity and inclusion an integral part of the Group's management;
- foster a culture of inclusion and respect all cultural diversities:
  - we want to ensure that all employees treat others, at all times, with dignity and respect,
  - we encourage employees to create support communities and networks, and require them to complete annual diversity awareness training that will enhance their knowledge and encourage respect for others.

Scope

The Diversity & Inclusion policy applies to all Schneider Electric entities worldwide. All Schneider Electric entities must develop Diversity & Inclusion action plans that cover areas such as gender and cultural diversities, while meeting local regulations and addressing country-specific situations.

Governance

Diversity & Inclusion ambassadors 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 and indicators

Several global processes have been developed to support Schneider Electric's diversity policy, *e.g.*:

- talent review process to detect talent and promote equality and diversity at all levels of the company, ensuring that professional development is based on equality;
- recruitment policies, succession planning, and access to training pay particular attention to gender balance and new economies representation; for example, succession planning for key positions in the company must include at least 1 woman.

A strong focus on gender diversity

In its Diversity & Inclusion policy, Schneider Electric places particular emphasis on equal career management for men and women as the best means to develop the values and skills required to meet the economic and societal challenges of the 21st century. Schneider Electric shares the conviction that gender differences in the workplace (leadership style and personality, among others) complement each other, foster innovation and provide a wealth of benefits to customers.

The Women @Schneider Global Initiative was launched in 2012 and is based on 2 main pillars: programs supporting women's professional development and programs educating leaders.

It has 4 main objectives:

- become a distinctively attractive workplace for women;
- engage more women in top positions of the company;
- support and develop young talented women in their careers;
- become a gender balanced company.

Programs supporting women's professional development

A specific program, "Women in leadership" (3 days' coaching), has been deployed in 3 regions (Asia, Europe and North America). At the end of 2016, more than 500 women had benefited from this program.

More than 10 Schneider Electric local women's networks have been created in different parts of the world.

Leaders' commitment

A half-day seminar focusing on gender balance, Gender Workshop for leaders, was launched in 2010 with the Executive Committee members and their teams. It has since then been deployed to target the Management Committees of the main entities and main countries. In 2016, thanks to a step up in its deployment, more than 600 leaders/managers had the opportunity to take part in these reflection and action sessions on the topic of diversity.

HeForShe movement: Reputation and community commitment

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

HeForShe is a solidarity movement to promote gender equality initiated by UN Women. The purpose of HeForShe is to encourage men to support change in favor of women's rights and diversity. This campaign was launched internally, and by the end of 2016, more than 34,000 male employees of Schneider Electric had joined the movement. In addition, 40 Country Presidents have signed the Women Empowerment Principles reinforcing the commitment of our key leaders across the globe.

Pay equity

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

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

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

In 2016, the process was deployed in 35 countries and covered 75% of our employees. Our target by 2017 is to extend this process around the globe to reach 85% of our global workforce.

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 a number of initiatives focused on engaging and developing early career talents. Finally, the company 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. In 2016, we piloted a number of workshops on inclusion and unconscious bias and will continue this effort in 2017 on a larger scale.

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

In 2007, Schneider Electric received the Employment Opportunity for Men and Women label awarded by AFNOR Certification (SEI/SEF scope). Awarded for a period of 3 years, this label was renewed in November 2010 and June 2014. Schneider Electric has also 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 the past 2 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, conferences about gender equity for 1,300 female managers.

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 2016, 13 people with disabilities were recruited on work-study contracts and 8 on permanent contracts. In all, employees with disabilities accounted for 6.47% of employment at Schneider Electric in France in 2016, 2.88% of these in indirect employment (subcontracting to the protected and adapted sector) and 3.59% 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 EUR32 million in 2016, including: EUR15 million in France, EUR12.3 million in Spain, and EUR4.7 million in other European countries. In France, our proactive strategy of developing the service subcontracting axis (launched in 2014) is once again bearing fruit. The actions are very satisfactory in terms of volume and quality. This subcontracting now represents 20% of the total.

Generational and origins diversity

Schneider Electric wants to capitalize on the younger generations by giving a chance to all, especially low-skilled 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;
- 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 (65 contracts at the end of 2016);
- the Businesses and Neighborhoods (*Entreprises et Quartiers*) Agreement (2014-2015) signed with the Minister Delegate for Urban Affairs, in which Schneider Electric strengthens its actions in favor of enabling people in difficult situations (unemployment, social exclusion, school dropouts, etc.) to enter the workforce and develops assistance in disadvantaged areas.

4.6 Compensation and benefits

Approach

Schneider Electric is committed to providing a competitive and comprehensive compensation and benefits offering that is cost effective in each market and country in which the Group operates in order to attract, motivate and retain talents.

Schneider Electric ensures that all compensation and benefits decisions and policies are based on the principles of fairness, equity and non-discrimination.

Compensation

Schneider Electric rewards employees' contributions based on a pay-for-performance principle, competitive market positioning and scarcity of skills. Industry market data is gathered on a country basis via third-party surveys to support compensation decisions.

Schneider Electric has built and implemented a global job architecture to support and align Rewards and Human Resources programs so that Schneider Electric can develop and move talents across different businesses and geographies.

In line with the Group's pay-for-performance philosophy, the compensation structure can include fixed and variable elements. The short-term variable element is made up of individual and collective performance criteria and is designed to foster a sense of belonging and collaboration. The long-term variable component is discretionary and is designed to motivate and retain specific groups of targeted employees who demonstrate potential and possess critical skills.

Benefits

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

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

Schneider Electric has a Benefits and Pension Funds Corporate Committee whose responsibilities are to review Benefits Policy Principles compliance and evolution and to monitor asset return and validate long-term investment strategy both at a corporate and country level. This committee meets twice a year.

All compensation and benefits policies follow local statutory and collective agreements.

Employee Health and Welfare policy principles

One of Schneider Electric's underlying benefit objectives is to protect the basic health and welfare of all of its employees and to provide adequate security to their dependents in the event of their death. In practice, this means that Schneider Electric will offer a global security standard to ensure that at least a multiple equivalent to 1 year's salary is paid to an employee's dependents in the event of their death by any cause.

Sustainable development criteria in performance incentives

Since 2011, sustainable development components have been added to 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 (Finance, HR and Business Development).

Since December 2011, a portion of the award under the annual long-term incentive plan that will be definitely granted at the time of vesting is subject to the achievement of a sustainable development target. This target is defined as the Planet & Society Barometer score at the end of the year following the annual grant (score at the end of 2016 for 2015 annual grant). As a reminder, the Planet & Society Barometer is published externally and its components are audited.

Since 2012, the profit-sharing incentive plan for the French entities Schneider Electric Industries and Schneider Electric France includes achieving the annual targets of the Planet & Society Barometer. The reduction in the occupational accidents Severity Rate is also taken into account in the profit-sharing incentive plans of 12 other French entities.

Employee shareholding

Schneider Electric believes that employee share ownership is instrumental in strengthening companies' capital (both financial and human), and that employee shareholders are long-term partners.

The Group has been building an international employee shareholder base since 1995 that is representative of the Group's diversity. Employees held around 4.5% of the capital in 2016. Employees in 60 countries have already benefited from a share ownership plan over the years.

Employee share ownership plan 2016

Schneider Electric has ramped up its in-house communication to employees to ensure that they have a clear understanding of the challenges facing the company, its policy and its financial results. In recognition of its communication efforts, Schneider Electric was awarded the 2013 prize for the quality of information and training for employee shareholders and employee shareholder representatives and the 2014 prize for the best governance by FAS (*Fédération Française des Associations d'Actionnaires Salariés et Anciens Salariés*). In view of the dynamism of the employee share ownership program, the "2016 Plan" was again enlarged and proposed in 33 countries with a unique Classic Offer. More than 43,000 employees subscribed shares for a total of EUR131 million.

The employee shareholding as of December 31, 2016 represented 4.5% of Schneider Electric SE's capital and 7.1% of the voting rights. 66% of the Group employee shareholders were located outside of France.

In 2017, the Group expects to launch a new global Plan which will cover *circa* 120,000 employees.

Socially responsible investment fund

In November 2009, Schneider Electric created the "*Fonds Schneider Énergie Solidaire*" (a dedicated mutual fund). Information sessions on this social 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 (see pages 100-105).

Investment in this fund has reached EUR12.8 million, thereby enabling 5,000 employees to take part in social welfare projects in France and abroad that have been developed as part of the Access to Energy program.

4.7 Social dialog and relations

Approach

Schneider Electric considers freedom of association and collective bargaining as fundamental rights that must be respected everywhere and therefore in its *Principles of Responsibility* commits to complying with local laws in every country where it operates. Updated in 2013, this common reference shared with all Schneider Electric's employees worldwide relies on the 10 principles of the Global Compact, the corporate governance principles, the Guiding Principles of the Organization for Economic Cooperation and Development, the Universal Declaration of Human Rights and the International Labor Standards.

The respect of trade union rights is expressly mentioned on page 10 of the *Principles of Responsibility*, through Principle 3 of the Global Compact: "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining". The *Principles of Responsibility* is communicated on a global basis to all employees of Schneider Electric.

Social dialog is managed at country level by the HR leaders with the employee representative bodies and unions, and at transnational level with the European Works Council which covers most of geographical Europe. Social 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.

Action plans in major localizations

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 50,000 employees.

In 2016, the European Works Councils met 6 times, including 5 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 ExCom members including Schneider Electric's CEO.

In 2016, Schneider Electric opened discussions to renew the existing European Agreement on Anticipation of Change. This initiative, which respects the spirit of European participation, signed in 2014, and agreed by a large majority of negotiators, set out a new European Works Council with extended powers and resources, and introduced the participation of European employee representatives at board of directors' level. It replaced the previous European Works Council.

Group Works Council, France

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

In 2016, 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 which dealt, among other topics, with the deployment of supplementary retirement insurance in Schneider Electric, which is part of our company program.

In order to better understand the Schneider Electric business and its perspectives, the Group Works Council also visited Schneider Automation in Carros and *Société française de constructions mécaniques et électriques* (SFCME) in Libourne, 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 2016, 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 2015, Schneider Electric Mexico was certified by CEMEFI as a "Socially Responsible Company". The mission of CEMEFI is to foster and enhance the culture of philanthropy and social responsibility in Mexico and strengthen the organized and active participation of society in solving community problems. Different topics are evaluated during the certification process, including active labor relations points.

Moreover, we were audited for compliance with the EICC Code (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 Brazil

In Brazil, there is one independent union per location and the interaction with management and Human Resources Department fosters the development of labor relations and social dialog. The company follows the collective agreement strictly and negotiates profit-sharing agreements on a yearly basis.

Social dialog in China

The Group has over 40 entities and over 100 sites in China. Unions are set up in 23 of them. Unions give input in the review of local policy relating to 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. Five entities have already signed the collective contract.

Social dialog in India

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

This harmony has been achieved through a time-tested collective bargaining process involving unions or Workers Representative Committees. In some of the units where there are no recognized unions, this bargaining process is conducted with elected employees on committees such as Welfare (Works Committee), Health & Safety, Canteen, Sports and Transport, etc., including a special committee for women employees (fully compliant with the prevention of sexual harassment as per local laws), duly represented by external women with specialist knowledge of the subject and with a legal background. These committees provide a platform for employees to represent their concerns, collective grievances and workplace related issues to the management. All employee engagement programs are run through these committees with the active participation of every employee.

The process of social dialog also includes employee communication in small groups as well as through Town Hall communication on company performance, strategy and challenges.

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, 1.2 billion [(1)] people do not have access to electricity; 634 million of these live in Sub-Saharan Africa, 237 million in India and 120 million in South-East Asia.

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

Their families' energy costs may run to more than USD15 per month. Improved access to energy not only improves quality of life, but also facilitates access to healthcare, education and development for those who need it most.

Through its Access to Energy program, Schneider Electric wants to play a major role in helping underprivileged people to gain access to electricity.

Schneider Electric is involved in 3 specific areas:

- **investment:** manage an investment fund for business development in the electricity sector;
- **offer:** design and deliver electrical distribution solutions for underprivileged people;
- **training:** help provide training for young adults looking to enter the electricity sector. This philanthropic effort benefits from the commitment of the Schneider Electric Foundation and its employees' contributions.

Created in 2008 and launched in 2009, the Access to Energy program illustrates Schneider Electric's desire to create a virtuous circle combining business, innovation and responsibility.

Organization

Management

The program is managed by the Sustainable Development Department. The program management team is now spread equally between France and India:

- an Access to Energy solutions Business Development Director;
- an Offering Creation Director based in Bangalore (India);
- a Social Investment Director, who manages the Schneider Electric Energy Access social welfare fund;
- a Training Programs Director;
- access to Energy correspondents in key countries (India, Senegal, Nigeria, South Africa, Brazil, etc.).

Rollout

To achieve its goals, the Access to Energy program operates through its local presence in the countries concerned by the energy access problem. With a few rare exceptions, all projects initiated benefit from monitoring by employees of Schneider Electric entities operating in the countries concerned. These employees constitute a network of key contact people for the design, management and monitoring of projects.

Their involvement may be part time or full time. They contribute their knowledge of the local context (organization of civil society, local authorities, the private sector, etc.) and guarantee that the project is aligned with local needs. Their presence is of crucial importance for the long-term oversight of projects in which Schneider Electric is involved. The main areas targeted by the program are India, Bangladesh, China, South Asia, Sub-Saharan Africa and South America.

(1) Source: SE4All - Global tracking framework.

For this section, 3 key performance indicators have been set in the Planet & Society Barometer for the duration of the *"Schneider is On"* program (2015-2017):

Objectives for year-end 2017	2016	2015	2014
1. x5 turnover of Access to Energy program to promote development*	x2.08 ▲	x2.07	-
2. 150,000 underprivileged people trained in energy management	123,839 ▲	102,884	73,339
3. 1,300 missions within Schneider Electric Teachers NGO*	1,065 ▲	878	460

The 2014 performance serves as a starting value for the Planet & Society Barometer of the "Schneider is On" program between 2015 and 2017.
▲ 2016 audited indicators.
** A methodological change was made in Q4 2016, see note on pages 113 and 114.*
Please refer to pages 111 to 114 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 102-104 for indicator 1, 104-105 for indicator 2, and 107-108 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, 2016, the following amounts were managed by SEEA:

- EUR3,000,000 in capital invested by Schneider Electric;
- EUR1,800,000 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 2016, 5,000 Group employees in France showed their interest in the Access to Energy program by investing EUR12.8 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.

Partnership with ADIE

In 2010, Schneider Electric set up a project in partnership with the *Association pour le droit à l initiative économique* (ADIE) to help entrepreneurs start businesses in the electricity sector. The goal is 3-fold:

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

The project targets entrepreneurs and project owners who do not have access to bank loans, notably the unemployed and low-income individuals. Schneider Electric and Schneider Initiatives Entrepreneurs, an association that nurtures spin-offs, finance part of the microloans granted to electrical businesses through ADIE. In 2015, SEEA helped refinance 120 loans. Schneider Electric's French Sales Division has also created a pact with dedicated technical training resources combined with support from a local sales representative to help these entrepreneurs.

International investments

- 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.
- One Degree Solar, a company that designs and distributes small, inexpensive solar systems in Kenya. These systems enable users to benefit from lighting and to recharge their cell phones.
- Fenix International, a company that designs and distributes solar systems in Uganda, enabling users to develop a cell phone charging business. This company has established distribution agreements with mobile operators and has developed a prepayment offering;

Companies out of 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.

Offerings and business models

Approach

Innovation for Schneider Electric starts with the local needs and the socio-economic context of those with little or no access to clean, healthy and reliable electricity. With this in mind, the chief aims of its offerings and business models are to:

- respond to the energy needs of villages to support sustainable economic and social activity;
- include and involve local populations in projects to guarantee their sustainability in the long term.

Schneider Electric sets out to provide comprehensive energy access solutions that support revenue-generating entrepreneurial activities, foster community services or fulfill domestic needs. Products and solutions are developed to meet a range of both individual and community needs across the energy chain, from portable lamps and solar home systems to decentralized small power plants, water pumping systems and street lighting.

Action plans

Offer a wide range of services for all energy access needs

Individual lighting: In a program to extend access to energy, lighting is one of the first vital needs expressed by population groups denied access or reliable access to the electricity grid. Lighting makes it possible to study after the sun has gone down and to extend entrepreneurial activities into the evening. In 2013, Mobiya TS120S was launched, a portable solar light-emitting diode (LED) lamp that is both robust and affordable and offers up to 48 hours of lighting without recharging, as well as offering a charging solution for cell phones. Its shape and ergonomic grip allows you to position the lamp in 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.

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 new facility in East Africa, following the acquisition of Power Technics Ltd., has boosted our production and assembly capacity in Kenya and in the region to develop customized decentralized rural electrification solutions.

The collaborative MiCROSOL research project, which began in November 2011, aims to develop a unique and modular standard technology for the simultaneous production of electricity, potable water and heat, primarily for the benefit of micro-industries located in rural areas in countries with strong sunlight and direct radiation, with Africa as the top priority. The project, led by Schneider Electric, brings together 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, for the supply and commissioning of 8 solar micro-units inspired by the MiCROSOL project in the 8 member states of the WAEMU. The aim is to test the use of a "multi-energy" unit 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 electrical 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 of the Sun solution, launched in 2012, is an automatic solar water pumping system designed to provide water at a reasonable price to people with limited or no access to electricity. It uses an advanced ATV312 Solar variable speed drive to regulate the speed of a three-phase motor depending on the energy supplied by the solar panels. Adaptable to all types of pumps, surface or submerged, using the Water of the Sun solution ensures greater system reliability, simplified plumbing and reduced maintenance. Between 201 and 2016, several solutions were installed in India and Africa as part of collective electrification projects.

Villaya Lampadaires Solaires solutions have been marketed since 2014 to provide public lighting with standalone LEDs in isolated locations. Based on an intelligent energy management system, the streetlights guarantee uninterrupted lighting, even in cases of low levels of sunlight. Their Plug and Play design with resistant NiMH batteries is particularly suited to the tropical environment and can withstand high temperatures. These integrated street lighting solutions boost personal safety and support social and economic activities.

Training offering: For Schneider Electric, professionals must be supported by training in energy management from educational institutions through to vocational and continuing education worldwide. In partnership with Schneider Electric Training and Access to Energy Training teams, an affordable range of Access to Energy Education teaching models and teaching tools has been developed to meet the needs of training organizations, particularly in emerging countries. The training offering covers the management of high and low voltage electrical distribution, building management, global energy management and process and machine management.

Ensure that the sustainable economic models are adapted to local contexts

Last mile distribution: Individual and residential products are deployed through our distribution networks, subsidiaries, and a number of NGOs and businesses in the sector of developing access to electricity. This new system is available practically everywhere in the world. Partnerships have been set up with local institutions and organizations to optimize deployment of the product and to target the poorest communities. In 2015, Schneider Electric worked in collaboration with *La Poste du Bénin* (Benin postal service) to retail the Mobiya TS120S portable lamp through several hundred post offices. This partnership was part of the *Poste Verte* (Green Post Office) initiative aimed at bringing essential energy, health, transport and Internet services to Benin and Togo in an initial phase, before rolling the initiative out to all of West Africa.

Partnerships: In 2016, Schneider Electric forged a partnership with Positive Planet to create a rural distribution network to sell Mobiya and Homaya SHS products in Senegal. Positive Planet is an NGO whose mission is to "help men and women across the world create the conditions for a better life for future generations". Our past experience has shown that the large-scale distribution of solar products in rural areas is limited by 3 factors: a product's availability, cost and reputation. To tackle these 3 issues, Schneider Electric and Positive Planet have joined forces with a local distributor (SAREEV). Its knowledge of local customs and communities has helped to develop a network of local dealers in addition to a marketing and communication campaign which is intended to boost the distribution of our two products.

Micro-entrepreneurship: In India, Schneider Electric deploys an energy service sales model through the creation of a network of battery-charging entrepreneurs for the low-consumption lighting system In-Diya. In 2012, the network of more than 120 selected volunteer entrepreneurs at the start of a basic electrician training program offered this rental service to more than 1,000 households. In 2013, the project partnered with Indian associations focused on the "Village Level Entrepreneurs" model to allow its entrepreneurs to add a solar product distribution service to improve their income. The program guarantees them a logistics network necessary for their activity and provides them with technical and entrepreneurial training throughout the subcontinent. Based on this success, in 2014, Schneider Electric partnered with Golden Key Company (GKC) in Myanmar to form "Village Electrification Consultants", which establish their point of sale of energy access products in their villages, advise villagers on domestic electrification and provide maintenance of installed products.

Decentralized rural electrification: Rural electrification continues, following the success of the projects launched since 2009 in Madagascar, Vietnam, Senegal, Cameroon, Egypt and Brazil. Schneider Electric provides expertise to municipalities for defining energy needs, sizing electrification solutions, mobilization of local partners for installation, and training of maintenance and after-sales service agents. Schneider Electric set up off-grid solar power stations that powered community buildings and charging equipment. All micro-units are managed by an entrepreneur located within the community and trained by Schneider Electric to ensure maintenance and economic viability in the long term. In 2014, the village of Baghagha in Casamance, Senegal, was equipped with 2 Villaya Villasol micro solar power plants that provide electricity to the school and the health center, and a battery charging station for lighting and cell phones in domestic households. In 2014, Schneider Electric partnered with Golden Key Company (GKC) in Myanmar to electrify 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. In 2015, Schneider Electric was involved in the electrification of 60 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 the same year, Schneider Electric also electrified 128 schools across Kenya. Solar electrification solutions can be customized for each school and can power up to 30 computers to facilitate the teaching process. At the same time, the success of the first village electrifications in the province of Ogun in Nigeria, has given rise to a collaboration between Schneider Electric and the company Arnergy Solar Limited to electrify new villages in the province of Osun. Thanks to the support of the Bank of Industries and the UNDP, the partners are implementing economically viable and sustainable solutions, particularly thanks to the installation of pre-paid meters in each of the homes and businesses connected to the microgrids.

In 2016, Schneider Electric made a commitment to the Rockefeller Foundation, signing an agreement to become its technology partner. The purpose of this agreement is to electrify 1,000 villages and transfer skills. Since 2010, the Rockefeller Foundation has fought against energy poverty by supplying electricity through mini-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 3 years thanks to the Smart Power Rural Development (SPRD) initiative.

Training

Approach

The key challenge of training in the energy sector is to provide underprivileged people with the knowledge and skills to be able to carry out a trade in a safe and responsible way, providing them and their families with the means for satisfactory subsistence. It will also give them the ability, should they wish, to sell and maintain energy access offerings and to create their own small business in time. Furthermore, they are a vital and indispensable element for all responsible and sustainable rural electrification policies.

Schneider Electric's strategy for training underprivileged populations in the energy sector includes 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.

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 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 2016, 212 entrepreneurs were trained in 6 countries (Brazil, Cameroon, Nigeria, Egypt, Vietnam, Lebanon). The target is to train 10,000 entrepreneurs by 2025.

Since starting the program in 2009, more than 120,000 people have been trained in more than 30 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 150,000 people by 2017 and the goal of supporting 1 million young people by 2025.

The priorities allocated to the program for 2017 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 Haiti, Tanzania and Indonesia.

5.2 The Schneider Electric Foundation

Approach

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

By developing training and entrepreneurship programs in the energy sector in emerging countries and supporting families that are affected by fuel poverty in the most developed economies, the Foundation is active in the field and seeks to serve as many people as possible. In supporting symbolic, inspiring projects, such as Low-tech Lab by the organization Gold of Bengal or as part of COP22, 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, 1,700 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 EUR14 million in support from Schneider Electric's entities; employees are also involved in these partnerships. In total, more than EUR18 million have been invested to help local communities.

Organization

The Schneider Electric Foundation focuses on the involvement of company employees in all the actions it implements. It carries out its work through a network of 130 employee volunteers, known as delegates. These volunteers, covering 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 Foundation activities at their site.

Finally, they 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.

Governance

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 8,900 projects annually with the donations it receives. In addition, it supports other foundations (more than 808 in 2015), 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 to twice a year. It is made up of members of Schneider Electric, employee representatives and other qualified individuals.

The current composition of the Schneider Electric Foundation's Executive Committee is as follows:

- Chairman: Henri Lachmann;
- Members: Charles Bouzols (external expert), Luc Rémont (Schneider Electric), Michel Crochon (Schneider Electric), Xavier Emmanuelli (external expert), Marc Bidaut (employee representative, Schneider Electric), Jean Kaspar (external expert), Cathy Kopp (external expert), Jean-Pierre Rosenczveig (external expert), Thierry Gouin (employee representative, Schneider Electric), Jean-Pascal Tricoire (Schneider Electric).

An operational team and a selection committee

The members of the operational team are: Gilles Vermot Desroches, General Delegate; Patricia Benchenna, Director of Programs; Leslie Zambelli, Fuel Poverty Project Manager; Agnès Dallemagne, 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 Vocational Training Program. It meets once per month.

The international network of Foundation delegates

The Schneider Electric Foundation focuses on the development and involvement of the company's employees in all the initiatives it enacts. In particular, it draws on a network of 130 volunteer employees, who are also known as delegates. These delegates, who cover 80 countries, are tasked with selecting local partnerships in the areas of professional training in the energy sector, entrepreneurship, the prevention of fuel poverty, and awareness of sustainable development, proposing the partnerships to the employees of their entity and then to the Foundation, and monitoring the progress of the projects after they are launched. Each project proposed is studied by the Schneider Electric Foundation and then the *Fondation de France* on the basis of administrative and financial information, before funds are paid.

At each site, the delegates are chosen on a recognized volunteer basis, and the selection is made official by a letter of undertaking that is signed by the site manager and the head of the Foundation and for a 2-year term.

Programs

Energies, poverty, and commitment are the 3 keywords that connect the 3 major programs that aim to reduce the energy gap in all corners of the globe.

Professional training in energy professions 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 56% of the annual funding allocated by the Foundation. All of these actions are monitored and measured on a quarterly basis within the scope of the Planet & Society Barometer through a key performance indicator.

Since 2009, more than 120,000 underprivileged people have been trained in the energy management sector in more than 30 countries. The goal is to train 150,000 people by 2017 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 related to public housing and its facilities, and to follow up with families.

This program corresponds to 12% 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.

To this end, in September 2015, Ashoka and the Schneider Electric Foundation, under the auspices of the *Fondation de France*, launched Social Innovation to Tackle Fuel Poverty, a request for proposals in 6 European countries: Belgium, France, Great Britain, Italy, Poland, and the Czech Republic. In November 2015, a selection committee comprised of national and international experts gathered in order to review more than 200 applications and select 14 representative projects from among the proposals; the winning solutions were those that seemed the most promising for the coming years.

To help the 14 winners with their strategies to broadly implement their projects, Ashoka provided 300 hours of mentoring over 3 months in February 2016. The winners also benefitted from inspiring dialog within a European network of peers, and visibility they will gain throughout the program. Schneider Electric's international employees contributed with their expertise and skills to the social entrepreneurs' projects that were chosen as part of the Schneider Electric Teachers association. All this progress was presented at a global Ashoka event in June 2016. One of the prizewinners selected through the project was Stefan Goemaere and his project *Samenlevingsopbouw*. His proposal was to lease nearly-new equipment to reduce electricity bills and to use the money saved to buy devices with lower energy consumption.

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. 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 COP22

At COP22 held in Marrakesh from November 7 to 18, 2016, the Foundation forged an important partnership with Art of Change 21 and its BALAD-E program designed to develop and facilitate international meetings between art and sustainable development. The 2 main objectives are:

- co-create innovative solutions:
  - *Low-tech Lab* – World: bring low-tech innovation to all parts of the world with the *Nomade des Mers* expedition. Low-tech innovations are essential for the future, as they provide a response to basic needs (access to water, food, energy) by taking into account the specific nature of the local environment, culture and economy. Engineers from various Schneider Electric research centers (in India, China and France) contribute their skills,
  - *Caire Game by Art of Change 21* – World: a fun tool to reduce your individual carbon footprint;
- raise awareness among as many people as possible:
  - *Paléo-énergétique*: by exhibiting its timeline, *Paléo-énergétique* hopes to bring back disused techniques, to show the capacity for innovation and to put the value back into forgotten innovations,
  - *Maskbook by Art of Change*: international action that uses the mask as a symbol, with the objective of rallying the public on climate change issues through art and culture. Creation of a spectacular, collaborative and global work of art, which offers everyone a way of taking action and promoting their creative and ecological ideas and solutions,
  - *Balade by Art of Change*: a meeting place for discussion in the Riyadh of artist Hassan Hajjaj. His artistic approach is based around the notion of upcycling with a view to reusing objects and promoting local communities.

The Schneider Electric Teachers NGO

Since the Schneider Electric Foundation was created in 1998, it has placed Group employee involvement at the heart of its work. Either Foundation delegates or employee volunteers are the link between the Company, the Foundation and the supported organizations.

Since 2012, the NGO Schneider Electric Teachers was created to organize volunteer missions benefiting the Foundation's partners. Schneider Electric and its Foundation wish to go even further to support the voluntary participation of current and retired Schneider Electric employees in the Foundation's programs:

- teaching programs and professional training programs for access to energy;
- support of families affected by fuel poverty.

Since the creation of Schneider Electric Teachers, 1,065 projects 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: Christian Wiest (President), Dominique Devinat (Vice-President), François Milioni (Secretary, head of Training Program), Christophe Poline (Treasurer, head of SEEA Social Welfare Investment Fund), Emir Boumediene (member, representing volunteers), Bernard Lancian (member, representing partners), Gilles Vermot Desroches (member, Sustainable Development Manager). The board met 8 times in 2016, and a General Meeting was held in December 2016.

After less than 4 years in existence, 180 partners in 80 countries had joined the initiative. The community of volunteers included more than 1,700 people.

Operations and players

This is a shared contribution between the Foundation, Schneider Electric entities and employees/retirees for the benefit of non-profit structures that are partners of the Foundation:

- the employees/retirees volunteer their time and make their skills available;

- the partners look for skills to support their activities, specify their needs and support volunteers in carrying out their mission;
- the Schneider Electric Teachers association coordinates, connects and organizes the process and covers costs related to carrying out missions;
- the Schneider Electric entities host the volunteers when the mission takes place outside their country of residence.

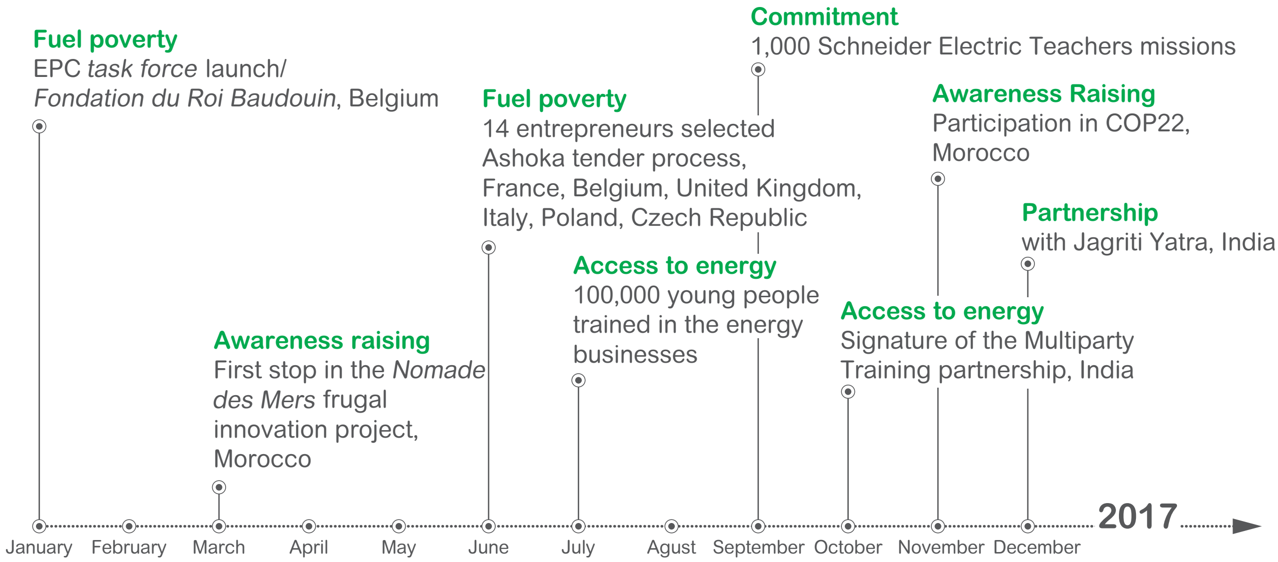
The missions

The missions are mainly:

- missions involving 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 www.teachers.schneider-electric.org.

Highlights of 2016 for the Schneider Electric Foundation



Initiatives in North America

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

- Matching Gift program is one of the flagship programs of the Schneider Electric North America Foundation. It consists of matching the donations from employees to non-profit associations of their choice. In 2016, the Schneider Electric Canada Foundation accordingly contributed USD4 million in financing to various charitable associations.

The volunteer program in the United States and Canada recognizes the participation of employees within their communities. The Schneider Electric North America Foundation promotes volunteering hours for beneficiary entities.

Initiatives in India

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

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

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

Accomplishments of the Schneider Electric India Foundation from 2009 through 2016:

- 263 electrician training centers in 26 Indian states;
- training of 68,201 unemployed young people;
- 127 academic scholarships;
- 373 volunteer missions with Schneider Electric Teachers;
- 39,00 schoolchildren registered in the Conserve My Planet program.

These initiatives are consolidated at the level of the Schneider Electric Foundation and are taken into account in the different reports and indicators.

5.3 Territorial positioning and impact on economic and social development

Wherever it operates, Schneider Electric makes a strong commitment to community partners and civil society through positioning itself in a way that is indispensable for a global enterprise that wants to keep in touch with the labor markets of its industrial locations. Numerous projects under way and on the drawing board demonstrate Schneider Electric's desire to be engaged, notably in the area of employment, and to contribute fully to local economic development.

Business creation in France

For more than 22 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 1,300 project owners have been supported, including electricians, bakers, consultants, graphic designers, asset managers, florists, etc., creating more than 3,300 jobs. Specific support is offered for energy-related projects, which can benefit in particular from the support of the Sales and Marketing Department. These accounted for almost 20% of all supported projects in 2016.

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.

For several years, 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.).

Other organizations such as ADIE (Association for the Right to Economic Initiative) are also financially supported through guarantee funds, loans or particular subsidies for electrical project creators.

Support for associations or NGOs that are partners with the Access to Energy program (Pass Associations/NGO mechanism)

SIE supports employees who want a career path external to the Group within the framework of a Pass Associations/NGO mechanism. This mechanism allows employees to be positioned on structured projects in partner associations or NGOs, primarily under French law: in the same framework as the support for SMIs/SMEs, the SIE teams, together with the Foundation and the teams of the Access to Energy program supports the posting of employees for several months on missions to associations or NGOs. All types of trades may be involved.

Revitalization of local employment pools in France

The pilot SIE structure was used to implement the revitalization actions put in place during the industrial development of certain local labor markets.

The involvement of teams in local economic networks optimizes the allocation of resources where they are most needed under these agreements.

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 soon 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.

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 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, Chambéry, Marseille, Rouen, Rennes, Rueil-Malmaison (CAMV)).

The goal is to attain a positive outcome of 60%, meaning that participants obtain a fixed-term or temporary contract of more than 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 2015 more than 4,400 young people had been assisted.

The municipalities involved in the "100 opportunities-100 jobs" are: Angoulême, Blois, Bordeaux, Chalon-sur-Saône, Chambéry, Cognac, Compiègne, Dieppe, Dijon, Évreux, Grenoble, Le Havre, Longwy, Marseille, Mont-Valérien (CAMV, Rueil, Suresnes, Nanterre), Montereau, Montpellier, Nemours, Nice, Plaine Commune, Rennes, Romans sur Isère, Rouen, Rueil-Malmaison, Sisteron, Strasbourg, Sud Seine et Marne (CASE) and Valence. In progress: Metz, Paris, Poitiers and Roubaix.

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

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

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

Concerning the GreenOValley construction project in Grenoble, we will reach 8,000 hours of work for people newly integrated into the job market.

In such a dynamic context, after the **Future Employment** Framework Agreement signed with the Ministry of Labor, Job Training and Social Dialog, Schneider Electric recruited more than 70 young people, particularly in Production and Logistics, including 10 with a long-term contract.

Finally, Schneider Electric has partnered with many other organizations: *École de la Deuxième Chance, Nos Quartiers ont des Talents, Télémaque, Fondation de la 2e Chance,* etc.

6. Methodology and audit of indicators

6.1 Methodology elements on the published indicators

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

This frame of reference includes the scope, collection and consolidation procedures and definitions of this information. As it is engaged in a process of constant improvement, Schneider Electric is gradually supplementing this work to adapt its frame of reference for sustainable development indicators to changes in the Group. This document is regularly updated.

In keeping with its commitment to continuous improvement, Schneider Electric asked Ernst & Young to conduct a review in order to obtain a "limited" or "reasonable" level of assurance for certain Human Resources, safety and environment indicators, and all of the key performance indicators from the Planet & Society Barometer (See Independent verifier's report on pages 117-118). The audit work builds on that conducted since 2006.

Human Resources, safety and environment indicators

The Human Resources, safety and environmental data comes from several dedicated reporting tools, available on the Group's Intranet, primarily: One and Bridge HR for the Human Resources data and GlobES (Global Environment and Safety) for the safety and environment data. Its consolidation is placed respectively under the Global Human Resources and the Global Supply Chain functions. Energy is managed with the Group's own solutions, Resource Advisor and Energy Operation. Data reliability checks are conducted at the time of consolidation (review of variations, inter-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 96% of the total workforce. Performance or career interviews have taken place with 82% of the workforce. Training programs cover 79% 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 *"Schneider is On"* company program (2015-2017) using Schneider Electric solutions. The program addresses all Schneider Electric sites, and has a particular focus on major energy consumers (220 sites in 2016).

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

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

Energy savings are calculated *versus* a baseline year: 2014 for the whole duration of the *"Schneider is On"* company program (2015-2017). In order to ensure a fair calculation of the savings, the actual consumption of a site is normalized *versus* the baseline year. This normalization is based upon a site-specific model enabling climate and changes in production levels to be taken into account. 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 objective is to reduce CO_2 emissions each year (2015-2017) by 3.3%, or 10% over the whole period of the program.

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

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

The data is corrected for activity, in tons transported.

This indicator was audited by Ernst & Young.

Towards zero waste to landfill for 100 industrial sites

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

A waste is considered not landfilled if it is sent to a waste provider for recycling or disposal in any manner except landfill 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 four criteria:

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

The product is a tangible one (solutions, services, software, etc., are out of the scope).

The indicator measures the share of sales made with a Green Premium offer from sales figures for the year n-1. All activities involved in energy management are included in the program. The Green Premium scope for 2015-2017 covers all 4 Schneider Electric Businesses: Industry Business (including former Invensys), IT Business, Infrastructure Business (including former Areva), Partner Business (including North America offerings - NEMA).

This indicator was audited by Ernst & Young.

100% of new large customer projects with CO_2 impact quantification

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.

There are two accuracy levels in the calculation: Offer mode (at the stage of the commercial offer) and Implementation mode (at the execution stage). 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" 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 seven hours in total.

All permanent employees, white collar and blue collar, who are entered into our HR Training information system are included in the indicator. Subcontractors, fixed-term contract employees, trainees, apprentices and employees close to leaving the company (*e.g.* pre-retirement) or employees who have left the company permanently or temporarily during the past 12 months are excluded. Individual new arrivals are counted after 3 months in the company since the end of 2015; new acquisitions are excluded (they are counted 12 months after being incorporated into our HR information system).

This includes all training activities: in person, individual or collective, tutored, e-learning, webinars, internal and external; all areas of training: products, management, languages, office, security, legal and regulatory training, etc.; excluded from the count are: training that does not have a formal trainer, with no written learning objectives or notices and time spent on social media.

This indicator was audited by Ernst & Young.

64% scored in our Employee Engagement Index

During the One Voice satisfaction surveys, Schneider Electric employees are asked a series of questions; six of them are used to generate the Employee Engagement Index (EEI). The EEI is a standard international index.

Employees are surveyed twice a year. All employees are surveyed (fixed-term contracts – including work/study participants – and permanent contracts). Employees are surveyed *via* email, for those who have a professional mailbox, or *via* kiosks installed in the plants for the survey (or access to an IT room), for other employees. The survey is administered by an external party.

This indicator was audited by Ernst & Young.

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

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

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

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	123-124
Hiring and layoffs	125-126
Remuneration and its development	96-97, 157-188
b) Organization of work	
Organization of working time	125, 127
Absenteeism	127
c) Social relations	
Organization of social dialog – particularly information and personnel consultation procedures and personnel negotiation procedures	98-99, 127
List of collective agreements	98-99, 127
d) Health and safety	
Health and safety conditions in the workplace	87, 89
List of agreements signed with unions or employee representatives regarding health and safety in the workplace	127
Work accidents, particularly their frequency and their seriousness…	127
… as well as occupational illnesses	88, 96-97, 127
e) Training	
Training policies implemented	91-93
Total number of training hours	128
f) Equality of treatment	
Measures taken towards gender equality	94-95
Measures taken towards employment and involvement of persons with disabilities	96
Anti-discrimination policy	94-96, 69-72
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.	59-61, 67-69, 69-73, 98-99

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	76, 82, 119
Employee training and information actions regarding environmental protection	76, 70
Environmental risk and pollution prevention means	83
Amount of provisions and cover for environmental risks except if this is likely to cause serious harm to the company in a pending litigation	42
b) Pollution	
Measures for prevention, reduction or repair of emissions in the air, water and ground with serious environmental effects	83, 120-121
Consideration of noise pollution and any other form of pollution specific to an activity	83
c) Circular economy	
◆ Waste prevention and management	
Measures for prevention, recycling, reuse, other forms of recovery and removal of waste	84-85, 120
Actions to combat food waste	N/A
◆ Sustainable use of resources	
Water consumption and supply according to local constraints	82, 120
Raw material consumption and measures taken to improve the efficiency of their use	84
Energy consumption and the measures taken to improve energy efficiency and the use of renewable energies	77-78, 120
Land use	83
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.	76-79, 120-121
Adaptation to the consequences of climate change	76-79, 82-85, CDP
e) Biodiversity protection	
Measures taken to preserve or develop biodiversity	80-81, 82-83, 84-85, 56

3 Information relating to societal commitments in sustainable development	
a) Territorial, economic and social impact of the company's activity	
◆ Regarding employment and regional development	100-105, 109-110
◆ On neighboring or local populations	100-105, 109-110
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	54-55
Partnership or sponsorship actions	105-109
c) Subcontracting and suppliers	
Consideration within the company's purchasing policy of social and environmental issues	67-69
The importance of subcontracting and the consideration within relations with subcontractors and suppliers of their social and environmental responsibility	67-69
d) Loyalty of practices	
Anti-corruption actions taken	72
Measures taken towards consumer health and safety	80-81, 14
e) Other actions taken towards human rights, within the scope of this third indicator	**73**

6.3 Independent verifier's report on consolidated social, environmental and societal information presented in the management report

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.

Year ended December 31, 2016.

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[1], 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, 2016, 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.

Our verification work mobilized the skills of five people between September 2016 and March 2017 for an estimated duration of 18 weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 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.

(1) Scope available at www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

2. Limited assurance on CSR Information

Nature and scope of the work

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

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry 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(3):

- 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(4), 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 11% of the total workforce and on average 6% of the quantitative environmental information.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we 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.

3. Reasonable assurance on a selection of CSR Information

Nature and scope of work

Regarding the two indicators “One day training for every employee every year” and “75% of product revenue with Green Premium eco-label”, we undertook work of the same nature as those described in paragraph 2 above for the CSR Information considered the most important, but in a more in-depth manner, in particular in relation to the number of tests.

We consider that this work allows us to express a reasonable assurance opinion on 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 15th, 2017
French original signed by:
Independent Verifier
ERNST & YOUNG et Associés

Eric Mugnier Partner, Sustainable Development	Bruno Perrin Partner

*(3) **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).*

(4) Bukowno –SEIP (Poland), Gagret LPT_1 (India), Gagret LPT_2 (India), Manisa (Turkey), Pieve di Cento –SEII (Italy), Rojo Gomez (Mexico), Tlaxcala (Mexico), Universal Enclosures Capellades (Spain), HR Services Global Supply Chain North 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 70% 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.

ISO 14001 certification of the sites

	2016	2015	2014
Number of ISO 14001 Certified Sites	270 ▲	259	270
Industrial and logistics sites	247	244	252
Tertiary sites	23	15	18
New sites certified this year	18	15	12
Certified sites that have closed or consolidated this year	7	26	21

▲ 2016 audited indicators.
UP = Unpublished.

Group site consumption, emissions and waste

		Current Scope			Constant Scope	
GRI	**Indicators**	**2016**	**2015**	**2014**	**2016**	**2015**
	Number of participating sites	295 ▲	297	266	288	288
	Total employees	116,661 ▲	114,074	103,886	110,200	112,780
306-2	Waste produced (in t)	152,415 ▲	142,091	132,171	143,617	142,492
	of which hazardous waste	7% ▲	7%	6%	UP	UP
306-2	Waste produced per employee (in t/p)	1.3 ▲	1.2	1.3	1.3	1.3
306-2	Waste recovered (in t)	141,802 ▲	129,644	115,166	134,783	130,727
306-2	Share of waste recovered	93% ▲	91.2%	87.1%	94%	92%
	of which metal waste recovered	99.4%	99%	UP	UP	UP
303-1	Water withdrawn for consumption (m^3)	2,662,616 ▲	2,335,670	2,055,999	2,249,719	2,349,734
	of which public water (m^3)	2,145,660	1,793,714	1,678,518	UP	UP
	of which ground water (m^3)	457,666	462,423	299,481	UP	UP
	of which surface water (m^3)	20,684	18,230	20,300	UP	UP
	of which other sources (m^3)	38,606	61,303	57,700	UP	UP
303-1	Water consumption/employee (m^3/p)	22.8 ▲	20.5	19.8	20.4	20.8
	Change in water consumption per employee	-	-	-	-2%	-
	Target consumption of water per employee	-	-	-	-1.66%	-
303-1	Water withdrawn for cooling (m^3) restituted w/o impact	682,048 ▲	611,508	603,876	UP	UP
305-7	VOC emissions (kg) (estimates)	700,369 ▲	441,131(1)	314,258	468,576	459,469
305-7	VOC/employee (kg/p) (estimates)	6.0 ▲	3.9	3.0	4.3	4.1
302-1, 302-4	Energy consumption (MWh equivalent)	1,181,413 ▲	1,222,176	1,111,359	1,169,671	1,192,457
	Electricity (indirect consumption)	843,440	860,197	792,793	833,991	849,726
	District heating (indirect consumption)	29,644	31,783	34,815	29,160	30,885
	Fuel oil (direct consumption)	12,882	11,867	8,354	12,856	9,994
	Gas (direct consumption)	293,294	318,269	272,255	291,510	301,792
	Coal (direct consumption)	0	0	0	0	0
	Renewable energy (direct consumption)	2,153	60	3,142	2,153	60
302-1, 302-4	Energy consumption per employee (MWh)	10.1 ▲	10.3	10.7	10.6	10.6
305-1, 305-2, 305-5	CO_2 emissions linked to energy consumption (in t) (estimates)(2)	450,677 ▲	445,963	395,110	444,545	442,623
305-2	Electricity (indirect emission)	369,720	364,994	323,120	364,217	361,801
305-2	District heating (indirect emission)	11,549	12,639	14,006	11,307	12,356
305-1	Fuel oil (direct emission)	9,283	3,085	2,172	9,261	6,599
305-1	Gas (direct emission)	60,125	65,245	55,812	59,760	61,867
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	3.8	4.0	3.9
305-1	SF_6 emissions (in tCO_2 equivalent)(3)	16,444 ▲	21,724	26,069	16,372	21,338

GRI	Indicators	Current Scope 2016	Current Scope 2015	Current Scope 2014	Constant Scope 2016	Constant Scope 2015
	SF_6 leakage rate	0.34% ▲	0.38%	0.47%	UP	UP
	Target SF_6 leakage rate	0.35%	0.40%	0.65%	-	-
305-1	Total scope 1 CO_2 emissions (direct energy consumption and SF_6 emissions in t) of reporting perimeter	85,852 ▲	90,054	84,053	85,393	89,804
305-2	Total scope 2 CO_2 emissions (indirect energy consumption in t) of reporting perimeter	381,269 ▲	377,633	337,126	375,524	374,157
305-1, 305-2,	Total scopes 1 and 2 CO_2 emissions (in t) of reporting *perimeter*	467,121 ▲	467,687	421,179	460,917	463,961
305-5	Total scopes 1 and 2/Turnover (t/EUR)	0.000019	0.000018	0.000017	0.000019	0.000019

▲ 2016 audited indicators.
UP = Unpublished.
(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) 16 sites in 2014; 17 sites in 2015; 16 sites in 2016.
Constant scope emissions are not corrected for activity level.

CO_2 emissions in transportation (scope 3)

GRI	Indicator	2016	2015	2014
305-3	CO_2 emissions on transportation paid by the Group (in tCO_2 equivalent)	582,918 ▲	532,222	494,987

▲ 2016 audited indicators. Calculation based on an estimated coverage of 71% (compared to 81% last year) extrapolated to 100%. A large part of the increase in 2016 is due to better knowledge of our purchasing spend (and consequently lower coverage rate).

Key performance indicators from the Planet & Society Barometer

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

The 2014 performance serves as a starting value for the Planet & Society Barometer of the "Schneider is On" program between 2015 and 2017.
▲ 2016 audited indicators.
** Results measured from 2016 (measurement tools deployed in 2015).*
Please refer to pages 111 to 114 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 77 for indicator 1, 79 for indicator 2, 84 for indicator 3, 80 for indicator 4, 81 for indicator 5, 65-67 for indicator 6, 85 for indicator 7).

7.2 Social indicators

The indicators below have a Group scope.

The Safety data of the sites are included in the Group metrics after one complete calendar year following their creation or acquisition. A site joining the Group in year n will be included in the metrics on January 1 n+2, except in exceptional circumstances when an agreement stipulates that the Safety data will not be included for two years. A difference can be thus recorded with respect to the scope of financial consolidation. Some small locations (sales/service teams) may not be included in the reporting or may be consolidated with larger locations. However, they represent less than 1% of Schneider Electric's permanent headcount.

HR data cover 100% of the workforce from integrated companies (see rules page 111). Certain indicators cover 96%, 82% or 79% 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	2016	2015	2014
1. 30% reduction in the Medical Incident Rate (MIR)	33% ▲	17%	-
2. One day training for every employee every year	92% ▲	85.6%	79%
3. 64% scored in our Employee Engagement Index	64% ▲	61%	61%
4. 85% of employees work in countries with Schneider gender pay equity plan	75% ▲	57%	-

The 2014 performance serves as a starting value for the Planet & Society Barometer of the "Schneider is On" program between 2015 and 2017.
▲ 2016 audited indicators.
Please refer to pages 111 to 114 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 87-89 for indicator 1, 91 for indicator 2, 89 for indicator 3, and 95 for indicator 4).

Workforce

GRI	Indicators	2016	2015	2014
	Workforce			
102-8	Average workforce[1]	161,768 ▲	181,361	185,965
	Blue collar (VDC)	82,288	97,925	95,213
	White collar (non-VDC)	73,758	83,437	90,752
102-8	Average supplementary workforce	14,676 ▲	17,525	16,875
102-8	Fixed-term contract and permanent contract personnel[2]	143,901 ▲	160,843	167,124
	Permanent contract	87.3%	91.6%	91.8%
	Fixed-term contract	12.7%	8.4%	8.2%
102-8	Share of temporary personnel (fixed-term contracts and temporary workers)[2]	21.4%	16.5%	16.8%
102-8	Organization of working time[3]			
	Full-time	98%	98%	94%
	Part-time	2%	2%	6%
401-1	Hires[4]	16,788 ▲	28,358	28,830
401-1	Departures[4]	25,383 ▲	32,840	29,460
	Layoffs	6,798 ▲	6,916	6,454
	Resignations	12,418 ▲	18,259	15,826
	Others (retirement, end of contract, etc.)	6,167	7,665	7,180
401-1	Voluntary turnover	8.5% ▲	11.1%	9.4%
102-8	Breakdown of workforce by region[2]			
	Asia-Pacific	31%	35%	34%
	Europe	39%	36%	37%
	North America	21%	19%	19%
	Rest of the world	9%	10%	10%
102-8	Breakdown of workforce by country (the most significant countries)[2]			
	France	12%	11%	11%
	United States	13%	12%	12%
	China	10%	16%	15%
	India	10%	9%	9%
	Mexico	6%	5%	5%
	Spain	3%	3%	3%
	Brazil	2%	2%	3%
	Germany	3%	3%	3%
	Australia	2%	2%	2%
	Indonesia	3%	3%	3%
	United Kingdom	3%	3%	3%
	Russia	6%	6%	7%

GRI	Indicators	2016	2015	2014
102-8	Annual change in workforce by country (the most significant countries)(2)			
	France	-4%	-3%	-2%
	United States	-6%	-5%	+8%
	China	-42%	+2%	+61%
	India	-5%	-4%	+12%
	Mexico	+7%	+2%	-7%
	Spain	-11%	-10%	-15%
	Germany	-3%	-3%	+7%
	Brazil	-18%	-20%	-8%
	Australia	-8%	-7%	0%
	Indonesia	-3%	-6%	-4%
	United Kingdom	-6%	-1%	+29%
	Russia	-9%	-11%	0%
102-8	Breakdown of workforce by gender(2)			
	Men	69% ▲	70%	70%
	Women	31% ▲	30%	30%
102-8	Breakdown of workforce by gender and by category(2)			
	White collar	52%	46%	54%
	Men	69%	70%	70%
	Women	31%	30%	30%
	Blue collar	48%	54%	46%
	Men	68%	69%	70%
	Women	32%	31%	30%
102-8	Breakdown of workforce by age(2)			
	14/24 years	6.9%	5.5%	8.0%
	25/34 years	29.6%	29.1%	31.9%
	35/44 years	29.7%	29.9%	27.8%
	45/54 years	21.3%	21.6%	20.8%
	55/64 years	11.7%	12.6%	10.7%
	> 64 years	0.8%	1.1%	0.8%
102-8	Breakdown of workforce by seniority(2)			
	< 5 years	42.5%	42.1%	44.2%
	5/14 years	35.9%	34.6%	33.6%
	15/24 years	12.6%	12.8%	12.2%
	25/34 years	6.3%	7.5%	7.2%
	> 34 years	2.6%	3.0%	2.8%
102-8	Breakdown of workforce by function(2)			
	Marketing	3.3%	3.2%	3.6%
	Sales	11.5%	10.4%	10.4%
	Services and projects(6)	18.6%	18.4%	17.9%
	Support	25.7%	18.2%	18.4%
	Technical	6.2%	6.2%	6.9%
	Industrial	34.8%	14.4%	6%

GRI	Indicators	2016	2015	2014
102-8	Direct variable costs (cost of employees under production or business costs)[7]	49.3%	51.5%	49.1%
	Hires[4]			
401-1	Breakdown by type of contract			
	Permanent contract	60%	72%	68%
	Fixed-term contract	40%	28%	32%
401-1	Breakdown by category			
	White collar	38%	28%	37%
	Blue collar	62%	72%	63%
	Breakdown by gender			
	Men	58%	61%	66%
	Women	42%	39%	34%
	Breakdown by age			
	14/24 years	37.7%	35%	42%
	25/34 years	37.2%	38.7%	36.1%
	35/44 years	16.3%	17.2%	14.1%
	45/54 years	6.3%	6.6%	5.9%
	55/64 years	2.2%	2.1%	1.7%
	> 64 years	0.3%	0.3%	0.2%
401-1	Breakdown by region			
	Asia-Pacific	43%	54%	47%
	Europe	23%	17%	19%
	North America	27%	22%	24%
	Rest of the world	7%	8%	10%
	Layoffs[4]			
401-1	Breakdown by type of contract			
	Permanent contract	81%	84%	84%
	Fixed-term contract	19%	16%	16%
401-1	Breakdown by category			
	White collar	40%	41%	38%
	Blue collar	60%	59%	62%
401-1	Breakdown by Region			
	Asia-Pacific	31%	36%	33%
	Europe	14%	16%	21%
	North America	35%	29%	29%
	Rest of the world	20%	19%	17%
	Resignations[4]			
401-1	Breakdown by seniority[5]			
	< 1 year	37.6%	28.9%	38.4%
	1/4 years	39.2%	40.1%	39.6%
	5/14 years	19.3%	19.9%	18.4%
	15/24 years	3.0%	4.7%	2.5%
	25/34 years	0.7%	3.2%	0.8%
	> 34 years	0.3%	3.3%	0.3%

GRI	Indicators	2016	2015	2014
	Departures			
401-1	Breakdown by gender			
	Men	63.1%	64.6%	65.8%
	Women	36.9%	35.1%	34.2%
401-1	Breakdown by age			
	14/24 years	26.6%	22.4%	30.3%
	25/34 years	33.9%	35.4%	34.1%
	35/44 years	19.2%	19.4%	17.4%
	45/54 years	10.0%	11.0%	9%
	55/64 years	8.6%	9.7%	8%
	> 64 years	1.7%	2.1%	1.3%
401-1	Breakdown by region			
	Asia-Pacific	38%	50.5%	34.1%
	Europe	24%	21.9%	26.7%
	North America	27%	19.7%	25.3%
	Rest of the world	12%	7.9%	13.9%
	Average supplementary workforce			
102-8	Breakdown by category			
	White collar	15.7%	20.1%	18.5%
	Blue collar	84.3%	79.9%	81.5%
102-8	Breakdown by region			
	Asia-Pacific	63.0%	61.3%	63.2%
	Europe	27.1%	24.5%	21.7%
	North America	6.1%	7.5%	10.1%
	Rest of the world	3.8%	6.7%	5.0%

Health and safety of employees and subcontractors

GRI	Indicators	2016	2015	2014
403-2	Number of medical incidents[8]	361 ▲	514	568
	of which Schneider Electric employees	300	433	481
	of which subcontractors	61	81	87
403-2	Number of lost-time accidents[8]	219 ▲	310	287
	of which Schneider Electric employees	177	263	245
	of which subcontractors	42	47	42
403-2	Number of fatal accidents	1	2	1
	of which Schneider Electric employees	1	2	1
	of which subcontractors	0	0	0
403-2	Medical Incident Rate[9]	1.24 ▲	1.53	1.85
	of which Schneider Electric employees	1.19	1.63	2.01
	of which subcontractors	1.55	1.14	1.29
403-2	Lost-Time Injury Rate (LTIR)[9]	0.75 ▲	0.92	0.93
	of which Schneider Electric employees	0.7	0.99	1.02
	of which subcontractors	1.07	0.66	0.62
403-2	Lost-Time Day Rate (LTDR)[9]	17.88 ▲	25.10	29.98
	of which Schneider Electric employees	19.02	27.98	33.45
	of which subcontractors	10.56	14.27	17.60
403-2	Number of lost days	5,208 ▲	8,444	9,209
	of which Schneider Electric employees	4,793	7,434	8,023
	of which subcontractors	415	1,010	1,186
403-2	Number of hours worked	291,348,466 ▲	336,442,896	307,213,189
	of which Schneider Electric employees	252,052,556	265,646,667	239,828,768
	of which subcontractors	39,295,910	70,796,232	67,384,423

Dialog and social relations

GRI	Indicators	2016	2015	2014
102-41	Sites stating they benefit from employee representation[5]			
	Unions	69.4%	69.2%	67.2%
	Works Council	65.3%	52.4%	46.4%
403-1	Health and Safety Committee	84.4%	75.1%	80%
102-41	Number of collective agreements[5]	129	127	217
102-41	Employees covered by collective bargaining agreements	84.1%	83.3%	79.6%
403-1	Employees represented by Health and Safety Committees	84.4%	75.1%	80%

Talent development and training

GRI	Indicators	2016	2015	2014
404-1	Number of training hours[10]	3,618,553 ▲	3,383,318	2,756,292
404-1	Average hours of training per person[10]	30.1	27.7	21.3
	White collar	33.8	30.8	24.2
	Blue collar[7]	25.7	24.3	18
	Average hours of training per person[10]			
	Men	30.4	28.7	26.6
	Women	26.8	25.0	22.9
404-1	Breakdown of hours by category[2]			
	White collar	60.4%	59%	60.5%
	Blue collar[7]	39.6%	41%	39.5%
404-2	Employees taking one day training (7 hours or more)	92% ▲	85.6%	79%
	Breakdown by country			
	France	88.3%	82%	75%
	United States	90.3%	78%	72%
	China	94.0%	91%	87%
	India	96.6%	93%	87%
	Mexico	93.7%	96%	94%
	Spain	93.4%	91%	73%
	Brazil	90.7%	89%	79%
	Germany	91.5%	85%	86%
	Australia	89.9%	79%	58%
	Indonesia	87.2%	77%	70%
	United Kingdom	84.6%	73%	70%
	Russia	91.9%	88%	80%
	Breakdown of hours by training type[2]			
	Health, safety and environment	17.4%	18.1%	UP
	Technical	9.6%	9.5%	UP
	Languages	3.0%	4.1%	UP
	IT	6.3%	1.0%	UP
	Products, Solutions and Services	10.6%	10.7%	UP
	Management and Leadership	6.9%	7.2%	UP
	Personal Development	7.9%	20.6%	UP
	Others	28.9%	19.8%	UP
	Breakdown of costs by category[2]			
	White collar	66.3%	76.4%	UP
	Blue collar	33.7%	23.6%	UP

GRI	Indicators	2016	2015	2014
404-3	Employees having had a performance interview(3)	95.1%	62.4%	54.8%
404-3	Breakdown by category			
	White collar	85%	75%	95%
	Blue collar	15%	25%	5%
404-3	Breakdown by gender			
	Men	75%	75%	76%
	Women	25%	25%	24%

▲ 2016 audited indicators.
UP = Unpublished
(1) Temporary workforce included.
(2) Based on spot workforce at year-end.
(3) The data relates to 82% of the Group's workforce at 12/31/2016.
(4) Acquisitions/disposals and temporary staff are not taken into account in the calculation.
(5) The data relates to 96% of the Group's workforce at the end of December 2016 (annual survey).
(6) Part of the VDC services on total workforce: 13.4% in 2016; 13.5% in 2015; 12.1% in 2014. VDC, variable direct costs are Schneider Electric employees whose costs impact directly on the completion of business. They are included under "blue collar".
(7) Data includes service VDC headcount, or 23% of all VDC in 2016; 26% in 2015; 25% in 2014.
(8) Includes business travel, excludes home/workplace travel.
(9) LTIR = Number of incidents with lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident frequency rate. LTDR = Number of lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident severity rate (the latter, however, is calculated per thousand hours worked). MIR = Number of accidents requiring medical treatment x 1,000,000/number of hours worked.
(10) The data covers 79% of the Group's workforce.

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 EUR18 million in 2016, 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

	2016
FOUNDATION'S INTERVENTION BUDGET	**4,000,000**
Breakdown by program *(in %)*	
Training and opportunities for young adults	56%
Fuel poverty	12%
Raising awareness about sustainable development	10%
Entrepreneurship	16%
Employees' volunteering/skills-based sponsorship	5%
Other	1%
Breakdown by region *(in %)*	
Africa & Middle East	37%
America	6%
Asia	22%
Europe	35%

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

	2016
TOTAL FINANCIAL CONTRIBUTION *(in euros)*	**8,148,965**
From employees	1,041,971
From the Schneider Electric entity	7,032,837
From partners	74,157
Financial contribution per region *(in %)*	
Africa & Middle East	7%
America	50%*
Asia	17%
Europe	26%
DONATIONS IN PRODUCTS OR SERVICES FOR A PARTNER/PROJECT OF THE FOUNDATION *(in euros)*	**5,893,832**
Number of employees involved in the Foundation's actions	**35,000**

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

Total budget for the Foundation's actions

FOUNDATION BUDGET, FINANCIAL CONTRIBUTIONS AND DONATIONS IN KIND *(in euros)*	**18,042,797**

Key performance indicators from the Planet & Society Barometer

Objectives for year-end 2017	2016	2015	2014
1. x5 turnover of Access to Energy program to promote development*	x 2.08 ▲	x2.07	-
2. 150,000 underprivileged people trained in energy management	123,839 ▲	102,884	73,339
3. 1,300 missions within Schneider Electric Teachers NGO*	1,065 ▲	878	460

The 2014 performance serves as a starting value for the Planet & Society Barometer of the "Schneider is On" program between 2015 and 2017.
▲ 2016 audited indicators.
** A methodological change was made in Q4 2016, see note on pages 113 and 114.*
Please refer to pages 111 to 114 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 102-104 for indicator 1, 104-105 for indicator 2, and 107-108 for indicator 3).

For more information:

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

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

This report includes the report of the Chairman on the composition of the board of directors, the application of the principle of balanced representation of women and men on the board of directors, and the conditions applicable for the preparation and organization of the work carried out by the board of directors, and the internal control and risk management procedures implemented by the company.

The sections on governance structure, 1, 2, 3, 4, 7 (Group Senior Management compensation policy, pension benefits and compensation of members of the board of directors), 9 and 10, in this section 3, as well as sections 2 (Annual Shareholders' Meetings and Voting Rights), 6 (lock-up period applicable to executive officers) and 7 of section 7 constitute the report of the Chairman of the board of directors provided for in article L.225-37 of the French Commercial Code. They are indicated with a special mention.

Governance structure

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

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.

The exercise by Mr. Tricoire of the functions of Chairman and Chief Executive Officer seems particularly appropriate to the board of directors taking into account:

- the composition of the board, which includes more than 70% independent directors within the meaning of the AFEP/MEDEF Code;
- the economic environment, which requires responsiveness by the leadership and clarity in naming the person in charge of directing the Group. This clarification given by the use of the title of Chairman *(Président)* is particularly necessary *vis-à-vis* employees, customers and partners, in France and abroad;
- provisions to ensure accurate information and effective functioning by the board of directors, in particular the appointment of a Vice-Chairman independent lead director, the principle of proposing an executive session at each meeting of the board presided by the Vice-Chairman independent lead director, and the creation of four board committees;
- the requirement for the board to deliberate each year on the unification of the functions of Chairman and Chief Executive Officer.

On April 25, 2016, due to the effective functioning of the governance and the great transparency of the Chairman and CEO towards the board, as confirmed by the self-assement of fall 2015, the board of directors confirmed this decision, in accordance with article 1 of its internal regulations, which provides that once it has decided to unify the functions of Chairman and CEO, the board must deliberate on this decision every year.

The company applies the AFEP/MEDEF corporate governance guidelines, with 1 exception which is described below (see section 10).

The guidelines are available online at www.medef.fr.

1. The board of directors

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

1.1 Membership of the board of directors (at December 31, 2016)

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 General 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, 2016, the board of directors had 13 directors, and 1 non voting director, Mr. Henri Lachmann.

Directors	**Year first term began**	**Year current term expires**	**Independent under AFEP/MEDEF criteria**
Mr. Jean Pascal Tricoire *Chairman*	2013	2017	NO (performing executive duties at the head of the Group)
Mr. Léo Apotheker *Vice-Chairman 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
Ms. Magali Herbaut	2012	2017	NO (bound by an employment contract with the company)
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
Mr. Gérard de La Martinière	1998	2017	NO (Board member for more than 12 years)
Mr. Gregory Spierkel	2015	2019	YES

The average age of the directors is 59.3.

Six directors, or 46% 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; Swiss: Mr. Kindle and Mr. Kissling).

One director, Magali Herbaut, represents the employee shareholders in accordance with the provisions of article L. 225-23 of the French Commercial code. She was appointed at the Shareholders' General Meeting on the recommendation of the supervisory boards of the FCPEs.

Independent directors

Each year, as provided under AFEP/MEDEF corporate governance code of listed companies, the board of directors, on the report of the Governance and remuneration 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 by no means likely to be raised to the board of directors, the existing business relations between Schneider Electric and these companies in which the members of the board of directors are employed or serve as officers are not likely to prejudice their independence, indeed, when such operations exist, they are agreed at arm's length and their amounts are without a doubt insignificant for each party, in particular with regard to respective size of the groups concerned.

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, 2016, there are 13 directors, 9 of whom are independent according to the definition contained in the AFEP/MEDEF corporate governance guidelines for listed companies. 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, Mrs. Magali Herbaut, as employee shareholder representative, Messrs. Gérard de La Martinière 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 guidelines for listed companies recommend that there be, in non-controlled companies, at least 50% independent directors on the board. Directors representing employee shareholders are not recognized in calculating this percentage. The proportion of independent directors of the Company, excluding Magali Herbaut, who represents employee shareholders, is therefore 75%.

Self-assessment of the board of directors

The AFEP/MEDEF corporate governance guidelines for listed companies provide that the board of directors must undertake a formal self-assessment at least once every 3 years.

Pursuant to its internal regulations, Schneider Electric SE's board of directors annually reviews its composition, organization and operations, as well as those of its committees. This yearly assessment alternates each year between a written questionnaire sent to the board members and an 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.

It is reminded that in 2015, self-assessment was carried out by means of a detailed questionnaire, the responses to which were obtained in interviews conducted with each of the directors between October and December 2015. The summary of these responses was subject to an in-depth review by the Governance and remuneration Committee. It was reviewed at the board of directors meeting on February 16, 2016 on the basis of the report presented by the Governance and remuneration Committee.

This exercise resulted in an unanimously very positive assessment of the board of directors and its committees in terms of composition, organization and operations. The directors highlighted the great transparency of management, the openness of discussions, and the remarkable fit with the board members.

After proposition of the Governance and remuneration Committee, the board of directors namely decided to:

- continue the policy for regenerating the board;
- coordinate the strategic committee's works and the board's works;
- review the coordination between the board of directors on the one hand and the Audit & Risks and Strategy committees on the other in reviewing strategic risks;
- thoroughly inform the board on the business environment and its evolution.

The board of directors decided not to carry out an annual self-assessment in 2016 given the major changes accured in its composition this year. However, the board of directors deliberated on its functioning, reviewed the progress made and the actions taken for each of the items above and acknowledged the following:

- feminization (from 31% of women at the board in 2015 to 38.5% in 2016 and more than 40% after the 2017 Shareholders' General Meeting) and search for other key-skills are in progress;
- strategy session in the form of a 4-day off-site meeting, in the presence of the members of the Executive Committee and including site visits, is intitutionalized;
- the strategy session includes a review of the business environment for each line of business;
- joint review of the risk matrix is jointly performed by Audit and Risks committee and Strategy Committee;

An external evaluation will be performed in 2017.

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

Three directors' terms are expiring following the Annual Shareholders' Meeting on April 25, 2017, namely those of Ms. Magali Herbaut, Messrs. Gérard de La Martinière and Jean-Pascal Tricoire.

The board of directors has unanimously decided to recommend the renewal of the term of office of Mr. Jean-Pascal Tricoire for a period of 4 years to allow him to continue, in his capacity as Chairman and CEO, to execute the strategy set by the board of directors.

Besides, at its meeting of February 15, 2017, the board of directors took note of Mr. Gérard de La Martinière's term of office. It also took note of Ms. Magali Herbaut's decision not to submit her candidacy as director representing the employee shareholders.

Ms. Magali Herbaut having been appointed to represent employee shareholders pursuant to Article 11-3 of the articles of association, her successor must be appointed according to the procedure provided in this article, which stipulates that when employee shareholders hold more than 3% of the capital at the close of a given financial year, their representative must be elected by the Annual Shareholders' Meeting from the candidates appointed by the supervisory boards of the FCPEs invested in company shares or by the employee shareholders when their shares are held directly and not *via* FCPEs.

With regards to the board member representing the employee shareholders, the board of directors recommends that shareholders vote for Ms. Xiaoyun Ma whose profile and professional career fit the objectives of feminization, rejuvenation and internationalization, as set by the board of directors regarding its composition.

The renewed board would comprise:

- 12 members;
- a 75% share of independent directors (excluding consideration of the director representing employee shareholders, in accordance with the recommendations of the AFEP/MEDEF corporate governance guidelines for listed companies);
- a percentage of women which will rise to 41.7% should Ms. Xiaoyun Ma be appointed; and
- a strong proportion of directors of non-French origin (58.3%) reflecting the international nature of the Group.

1.3 Composition of the board of directors at December 31, 2016

Chairman of the board of directors and Chief Executive Officer

Jean-Pascal Tricoire

Age: 53 years

Nationality: French

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

366,595(1) Schneider Electric SE shares

First appointed: 2013/Term ends: 2017

Directorships and other functions

- Chairman and CEO of **Schneider Electric SE**; Chairman and CEO of Schneider Electric Industries SAS; Director of DELIXI Electric Ltd; Director of Schneider Electric USA, Inc.; Director and Chairman of the board of directors of Schneider Electric Asia Pacific Ltd; Chairman of the board of directors of Schneider Electric Holdings Inc., Chairman of the France-China Committee.
- Previous directorships and functions held in the past five years: Chairman of the management board of **Schneider Electric SA;** Director of NINGBO Schneider Power Distribution Apparatus Manufacturing Co. Ltd.

Experience and qualifications

After graduating from ESEO Angers and obtaining an MBA from EM Lyon, Jean-Pascal Tricoire spent his early career with Alcatel, Schlumberger and Saint-Gobain and rejoined the Schneider Electric Group (Merlin Gerin) in 1986. From 1988 to 1999 he occupied occupational functions within Schneider Electric abroad, in Italy (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.

Vice-Chairman independent lead director

Léo Apotheker*

Age: 63 years

Nationality: French/German

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

2,038 Schneider Electric SE shares

First appointed: 2007/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 at a listed company:

    Director of **NICE-Systems Ltd** (Israel).

  - Other directorships or functions:

    Chairman of the board of KMD A.S. (Denmark), Chairman of the board of Unit 4 NV (Netherlands); Chairman of the Supervisory board of Signavio GmbH (Germany); Director of P2 Energy Solutions (United States).

- Previous directorships and functions held in the past 5 years:

  Manager of "Efficiency Capital" fund; Vice-Chairman of **Schneider Electric SA**'s supervisory board; Member of the supervisory board of **Steria**, Chairman and CEO of **Hewlett-Packard**; Member of the board of directors of **Hewlett-Packard**; CEO of **SAP AG**; Non-voting director of **Schneider Electric SA**; Director of **GTNexus** (United States); Member of the board of directors and the Strategy Committee of **Planet Finance**.

Experience and qualifications

Léo Apotheker began his career in 1978 in management control after graduating with a degree in international relations and economics from the Hebrew University in Jerusalem. He then held management and executive responsibilities in several firms specializing in information systems including SAP France & Belgium, where he was Chairman and CEO between 1988 and 1991. Mr. Apotheker was founding Chairman and CEO of ECsoft. In 1995, he returned to SAP as Chairman of SAP France. After various appointments within SAP as regional director, in 2002 he was appointed as a member of the Executive Committee and Chairman of Customer Solutions & Operations, then in 2007 as Chairman CSO and Deputy CEO of SAP AG and in 2008 CEO of SAP AG. In 2010, he became CEO and Chairman of Hewlett-Packard, a position he held until the fall of 2011. Member of the Schneider Electric SA board of directors since 2007, Léo Apotheker was appointed Vice-Chairman independent lead director in May 2014.

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

* *An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.*

(1) Held directly or through the FCPE.

Betsy Atkins*

Age: 63 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 at a listed company:

    Member of the board of directors of **HD Supply Holdings, Inc.** (United States); Chairman of the advisory board of **SAP**; Member of the Audit Committee and member of the board of directors of **SL GREEN REALTY Corp.** (United States).

  - Other directorships or functions:

    Member of the board of directors of Volvo Cars AB (Sweden); Chairman and CEO of Baja LLC; Member of ZocDoc advisory board.

- Previous directorships and functions held in the past 5 years:

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

Experience and qualifications

After graduating from the University of Massachusetts, Betsy Atkins began her career co-founding several successful high-tech and consumer companies, including Ascend Communications. In addition, she served as Chairman and CEO of Clear Standards from 2008-2009, Chairman and CEO of NCI from 1991 to 1993 and as CEO of Key Supercomputer from 1987 to 1989.

Cécile Cabanis*

Age: 45 years

Nationality: French

Business address:
Danone
17 boulevard Haussmann
75009 Paris, France

1,000 Schneider Electric SE shares

First appointed: 2015/Term ends: 2020

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE** and member of the Audit and Risks committee.

  - Other directorships or functions at a listed company:

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

  - Other directorships or functions:

    Director of Danone CIS Holdings BV, Danone Industria LLC and Danone Russia; Member of the Supervisory board of Mediawan (France); Director of Michel et Augustin SAS (France).

- Previous directorships and functions held in the past 5 years:

  Non voting director 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 Management Control Manager, before moving to France where she worked as an Internal Auditor. In 2000, she then became Deputy Director of the France Télécom group's Mergers and Acquisitions Department. In 2004, she joined Danone as Corporate Finance Director. In 2005, she was appointed Business Development Director at Danone, and in 2008 became Financial Director for Fresh Dairy Produce in the Western Europe region. In September 2010, Cécile Cabanis was appointed Financial Director for Fresh Dairy Produce. Since January 2015, she has been Chief financial officer and a member of the Executive Committee of Danone.

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

* *An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.*

Xavier Fontanet*

Age: 68 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 at a listed company:

    Director of **L'Oréal**.

  - Other directorships or functions:

    Associate professor at HEC; Member of the board of directors and of ANSA (French National Association of Joint-Stock Companies); 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**; Chairman of the board of directors of **Essilor International**; Director of **Crédit Agricole SA** and of the Fonds stratégique d'Investissement (FSI); Chairman of EOA Holding Co. Inc. (USA), Nikon and Essilor Joint Research Center Co Ltd (Japan); Director of Nikon-Essilor Co. Ltd (Japan), Nikon and Essilor Joint Research Center Co Ltd (Japan), Essilor of America, Inc. (USA), Transitions Optical Inc. (USA), EOA Holding Co., Inc. (USA), Shanghai Essilor Optical Company Ltd (China), Transitions Optical Holdings B.V. (Netherlands), Essilor Manufacturing India Private Ltd (India), Essilor India PVT Ltd (India), Essilor Amico LLC (United Arab Emirates); Permanent representative of Essilor International on the board of directors of the Association Nationale des Sociétés par Actions (ANSA).

Experience and qualifications

A graduate of the École nationale des Ponts et Chaussées and Massachusetts Institute of Technology, Xavier Fontanet began his career as a Vice-President at the Boston Consulting Group. He was CEO for Bénéteau beginning in 1981. Between 1986 and 1991, he was in charge of central management of catering for the Wagons-Lits group. In 1991, he joined Essilor as Executive Vice-President and then served as Chairman and CEO from 1996 to 2009 and Chairman of the board of directors until the beginning of 2012.

Antoine Gosset-Grainville*

Age: 50 years

Nationality: French

Business address:
BDGS Associés
51 rue François 1er
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 at a listed company:

    Director of the **FNAC** Group; Director and Chairman of the Audit Committee of **Compagnie des Alpes**.

  - Other directorships or functions:

    Partner at BDGS Associés law firm.

- Previous directorships and functions held in the past 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 guidelines for listed companies.*

Magali Herbaut

Age: 45 years

Nationality: French

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

6,907(1) Schneider Electric SE shares

First appointed: 2012/Term ends: 2017

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE** and member of the Human Resources and CSR committee.

  - Other directorships or functions:

    Member of the supervisory board of FCPE Schneider Actionnariat and FCPE Solidaire Schneider Énergie; Member of the board of directors of the SICAV Schneider Énergie Solidaire; Member of the board of directors of the Cercle Ethique des Affaires (CEA); Elected member of the Chambre de Commerce et d'Industrie of Grenoble.

- Previous directorships and functions held in the past 5 years:

  Member of the supervisory board of **Schneider Electric SA**; Member of the supervisory board of GFA Castillon.

Experience and qualifications

Magali Herbaut graduated from the École supérieure de commerce in Grenoble and earned an MBA from Laval University (Canada). She began her career as an auditor for the firm Deloitte. She joined Schneider Electric in 1996 as a management controller for Schneider Electric Automation GmbH. Ms. Herbaut spent 2 years as a management controller for Schneider Electric Automation Inc. in the US, before becoming Chief financial officer for Normabarre (2000-2003), then for the Medium Voltage/Low Voltage Regional Facilities Unit (2003-2007), later taking charge of the Alombard plant (2007-2008). She managed the Electrical Wiring business in the LifeSpace Business Unit for the EMEAS region between 2009 and 2012, and then on a global scale in 2013 as part of the partner retail division. Since 2014, she has been in charge of the Group's ethics and global policies. Ms. Herbaut is a member of the supervisory board of the FCPE Schneider Actionnariat.

Fred Kindle*

Age: 57 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 at a listed company:

    Vice-Chairman of **Zurich Insurance Group Ltd** (Switzerland), member of the Governance And Appointments Committee and member of the Remuneration Committee; Chairman of the board of directors of **VZ Holding AG** (Switzerland) and Chairman of the Compensation Committee; Director of Stadler Bussnang AG (Switzerland) and Chairman of the Strategy Committee; Director of **Exova Plc** (United Kingdom) and member of the Appointments Committee; Chief Executive Officer of Kinon AG (Switzerland).

- Previous directorships and functions held in the past 5 years:

  Partner of **Clayton Dubilier & Rice LLC** (USA); Chairman of the board of directors and Chairman of the Compensation Committee of **Exova Group PLC** (United Kingdom); Chairman 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.

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** An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.*
(1) Held directly or through the FCPE.

Willy R. Kissling

Age: 72 years

Nationality: Swiss

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

2,000 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 5 years:

  Member of the supervisory board of **Schneider Electric SA**; Member of the board of directors of **Cleantech Invest AG**; Chairman of the board of directors of Grand Resort Bad Ragaz AG.

Experience and qualifications

Willy R. Kissling, a Swiss citizen, holds diplomas from the Universities of Bern (Dr. Rer.pol) and Harvard (P.M.D). He has extensive experience and recognized expertise in both CEO and director positions in multinational companies based in Switzerland, and particularly in the following fields: construction and energy management technologies (acquired as CEO of the former Landis&Gyr Ltd), information technology and vacuum processing (acquired as Chairman of Oerlikon Bührle Ltd, which became OC Oerlikon Ltd), construction materials (Holcim Ltd, Cement, Forbo Ltd Floring, Rigips GmbH, Gypsum), packaging (Chairman of SIG Ltd) and logistics (acquired at Kühne&Nagel Ltd). Willy R. Kissling has also been a member on various supervisory boards including those of Pratt & Whitney and Booz Allen Hamilton.

He began his career at Amiantus Corporation and then joined Rigips, a plasterboard manufacturer, in 1978. He was appointed to the Rigips Executive Committee in 1981 and subsequently became Chairman. From 1987 to 1996, Mr. Kissling served as Chairman and CEO of Landis & Gyr Corporation, a provider of services, systems and equipment for building management, electrical contracting and payment methods for payphone operators. From 1998 to 2005, he was Chairman of the board of directors of Oerlikon Bührle Holding AG (since renamed OC Oerlikon Corp.).

Linda Knoll*

Age: 56 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**, Chair of the Human Resources and CSR Committee and member of the Governance and Remunerations Committee.

  - Other directorships or functions at a listed company:

    Chief Human Resources Officer and member of the Group Executive Council of **CNH INDUSTRIAL N.V.**

    Chief Human Resources Officer and member of the Group Executive Council of **FIAT CHRYSLER AUTOMOBILES N.V.**

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.

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

* *An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.*

Cathy Kopp*

Age: 67 years

Nationality: French

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

1,024 Schneider Electric SE shares

First appointed: 2005/Term ends: 2018

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE** and member of the Human Resources and CSR committee.

  - Other directorships or functions:

    Director and chair of the Compensation and Appointments Committee of SFIL.

- 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 Chairman of the Social Committee of the Service Providers Group at MEDEF until 2009. She headed up the cross-sector negotiations on diversity at MEDEF in 2006, and the negotiations on modernizing the labor market in 2007.

Gérard de La Martinière

Age: 73 years

Nationality: French

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

6,856 Schneider Electric SE shares

First appointed: 1998/Term ends: 2017

Directorships and other functions

- Currently:

  Director of **Schneider Electric SE** and Chairman of the Audit and Risks committee.

  - Other directorships or functions:

    Director of Monfinancier.

- Previous directorships and functions held in the past 5 years:

  Chairman of the Managing Committee of the *Charte du Don en Confiance* (a charity within the meaning of the 1901 French law); Member of the *Haut Conseil de la Vie Associative* Director of **Air Liquide**; Director of the simplified joint-stock company Standard & Poor's Credit Market Services France; Member of the supervisory board of **Schneider Electric SA**.

Experience and qualifications

A graduate of the École Polytechnique and the École Nationale d'Administration, Gérard de La Martinière held several positions in the French Finance Ministry before serving as General Secretary of the Commission des Opérations de Bourse and General Manager of the Société des Bourses Françaises. In 1989, he joined AXA, where he was appointed Executive Vice-President for Holding Companies and Corporate Functions in 1993, member of the management board in 1997 and Executive Vice-President of Finance, Budget Control and Strategy in 2000. He left the AXA Group in 2003 to become Chairman of the French Insurance Companies Federation (FFSA), a post he held until October 2008.

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

* *An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.*

Gregory Spierkel*

Age: 59 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 at listed companies:

    Director of **MGM Resorts International,** Chairman of the Audit Committee and member of the Governance Committee; Director of **PACCAR Inc.**, Chairman of the Compensation Committee and member of the Audit Committee.

  - Other directorships or functions:

    Member of advisory council to the Chancellor of University of California, Irvine; Advisor to two software start-ups and one cyber security company.

- Previous directorships and functions held in the past 5 years:

  Non voting director of **Schneider Electric SE**; Chairman and Chief Executive Officer of **Ingram Micro Inc.**; President, Worldwide of Ingram Micro Inc.; Director of **Ingram Micro Inc.**

Experience and qualifications

Mr. Spierkel holds a Bachelor i's degree in Commerce degree from Carleton University (Ottawa) and a Master's Degree in Business Administration from Georgetown University. He also attended the Advanced Manufacturing program at INSEAD.

Mr. Spierkel began his career working for Bell Canada in sales and product development, followed by a period with Nortel Inc. in market research. For 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 and Chairman of Ingram Micro Asia-Pacific. In June 1999, he was appointed as Executive Vice-President and Chairman of Ingram Micro Europe, where he led the transformation of the region into a best-in-class performer, delivering sales and operating margins at historic highs. He was promoted to Chairman of the Ingram Micro Inc. group in 2004, before assuming the role of Chairman and CEO of Ingram Micro Inc. in 2005. He retained this position, and his seat on the board of directors, until his departure in 2012. Since 2012, Mr. Spierkel has been providing advisory and consulting services to private equity firms with investments in the information technology sector.

Non-voting member

Henri Lachmann

Age: 78 years

Nationality: French

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

44,369(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 at a listed company:

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

  - Other directorships or functions:

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

- Previous directorships and functions held in the past 5 years:

  Honorary Vice-Chairman of the supervisory board of **Vivendi**; Director of **Schneider Electric SE**; Vice-Chairman lead director of **Schneider Electric SA**, Chairman of the supervisory board of **Schneider Electric SA**; Vice-Chairman of the supervisory board of **Vivendi**; Chairman of the Fondation pour le Droit Continental; Member of CODICE; Director of Solidarités Actives; Director of the Steering Committee of Proxinvest; Chairman of the Comité Sup' Emploi.

Experience and qualifications

A graduate of Hautes études commerciales (HEC), Henri Lachmann began his career in 1963 with Arthur Andersen. In 1970, he joined Compagnie Industrielle et Financière de Pompey. In 1971, he became Executive Vice-President of Financière Strafor, where from 1981 to 1997 he served as Chairman and CEO. He was elected to the **Schneider Electric SA** board of directors in 1996 and was appointed Chairman on February 25, 1999. On May 3, 2006, he became Chairman of the supervisory board of **Schneider Electric SA**. On April 25, 2013, following the change in mode of governance of the Company, he was appointed Vice-Chairman lead director, a function he held until May 2014.

Honorary Chairman

Didier Pineau-Valencienne

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** An independent director within the meaning of the AFEP/MEDEF corporate governance guidelines for listed companies.*
(1) Held directly or through the FCPE.

2. Organizational and operating procedures of the board of directors

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

2.1 Missions and powers of the board of directors

The board of directors shall determine the strategic orientation of the Company's business and oversee implementation thereof. It shall examine any and all matters related to the efficient operation of the business and make decisions about any and all issues concerning the Company, within the limits of the corporate purpose, except for those matters which, by law, can only be decided on by the shareholders in a Shareholders' Meeting.

Specific powers are vested in the board of directors under French law and the company's articles of association. These include the power to:

- determine the method of exercising the Senior Management of the Company;
- appoint executive corporate officers and also remove them from office (Chief Executive Officer and Deputy Chief Executive Officers) as well as to set their compensation and the benefits granted to them;
- co-opt directors whenever necessary;
- call General Meetings of shareholders and, where applicable, of bondholders, based on the agenda it sets;
- approve the corporate and consolidated financial statements;
- draw up business reviews and reports for Annual Shareholders' Meetings;
- draw up management planning documents and the corresponding reports;
- approve the report drawn up by the Chairman of the board of directors as provided for in article L.225-37 of the French Commercial Code;
- decide on the use of authorizations granted at Shareholders' Meetings, more particularly for increasing Company capital, buying back the Company's own shares, carrying out employee shareholding transactions and cancelling shares;
- authorize the issue of bonds;
- decide on the allocation of options or free/performance shares within the limits of authorizations given at Annual Shareholders' Meetings;
- authorize regulated agreements (agreements covered by article L.225-38 *et seq.* of the French Commercial Code);
- authorize the issue of sureties, endorsements and guarantees;
- decide on the dates for the payment of dividends and any possible interim dividends.

The board of directors may appoint between one and three non-voting members and decide to create Board committees. It draws up internal regulations. It determines the allocation of attendance fees; the total amount is determined by the Shareholders' Meeting.

2.2 Internal regulations and procedures of the board of directors

On April 25, 2013, the board of directors adopted its own internal regulations. These were modified 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. 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 guidelines. The regulations are reproduced on pages 341-347 of this registration document. They are published on the Company's website, www.schneider-electric.com. They comprise 13 articles:

Article 1, on the method of exercising Senior Management and the Chairmanship and Vice-Chairmanship of the board of directors, provides that the board shall deliberate each year on the decision to unify the functions of Chairman and Chief Executive Officer. It also defines the duties and missions of the Vice-Chairman independent lead director who is appointed when the board decides to unify the functions of Chairman and Chief Executive Officer. As such, the Vice-Chairman:

- is informed of major events in the life of the Group within the framework of regular contacts and monthly meetings with the Chairman, as well as through contacts that he/she can have with managers of Schneider Electric and possible visits to the Group's sites he/she can undertake. In addition, he/she can attend all meetings of committees of which he/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 1 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 page 347. The report of tasks he/she carried out in 2016 in line with his/her functions is found on page 340.

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 six meetings per year, the presence of the Chief financial officer at Board meetings as well as the presence of the relevant operational managers for the major issues presented for review by the board.

Article 5 specifies how information is handled by the board of directors. In particular, it provides that the Chairman and CEO shall meet with each director individually once a year.

Article 6 defines the status of the directors. This is in compliance with the director's charter contained in the AFEP/MEDEF corporate governance guidelines.

The charter provides that directors:

- represent all shareholders and act in the corporate interest;
- must resign from the board when they have not participated in at least half the Board meetings;
- are bound by an overall obligation of confidentiality;
- 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 four other directorships in listed companies outside the Group;
- hold at least 1,000 shares of Company stock;
- are bound by the Group's stock market ethics code, which provides strict rules concerning their transactions on Schneider Electric SE shares (see below);
- attend the Shareholders' Meeting.

Article 7 provides that non-voting members who attend Board meetings in an advisory capacity are subject to the same code of ethics as directors.

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

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

2.3 Information on the board of directors and its members

To ensure that the board of directors is kept well informed, Schneider Electric SE applies the following rules: members of the board have access, via a secure dedicated site, in principle, 10 days before every Board meeting, to the agenda for the meeting and to the draft minutes of the last meeting and, 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 one or several information letters, drafted exclusively for their attention, which keeps 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 the Board meetings.

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

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

In 2016, the Strategy Session was coupled to a seminar with speakers recognized for their expertise in the field of digitization. The directors had the opportunity to have a direct interaction with them as well as with the members of the Executive Committee on this hot topic.

Insider ethics code

Schneider Electric has adopted an ethics code for members of the board of directors and Group employees designed to prevent insider trading. Under these provisions, both directors and relevant employees are barred from trading in the Company shares and shares in companies for which they have information that has not yet been made public. In addition, they may not trade in Schneider Electric SE shares during the 31 days preceding the day following publication of the annual and interim financial statements, nor during the 16 days preceding the day following publication of a quarterly update, nor may they engage in any type of speculative trading involving Schneider Electric SE shares (including margin trading, purchasing and selling shares in a period of less than four months, etc.). In addition, in accordance with the AFEP/MEDEF guidelines, corporate officers also undertake not to enter into hedges of shares resulting from exercise of options and of performance shares they are required to hold (see page 305). These restrictions supplement the prohibition against hedging unvested stock options and performance shares during their vesting period.

The code of insider ethics has been 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.

3. Board activities

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

The board held 8 meetings in 2016. The meetings lasted 6 hours on average with an average participation rate of directors of 94%. They were primarily devoted to discussing the Company's corporate governance, strategy and its implementation, reviewing operations and the annual and interim financial statements, which it approved, and preparing the Annual Shareholders' Meeting.

3.1 Corporate governance

The board of directors, depending on the subject, on the basis of the report of the Governance and remuneration 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 continued its work to "regenerate" its composition, with the goal of increasing the proportion of international and female members, bringing in new skills (particularly digitalization, technology and marketing) and embarking on a rejuvenation process, while also maintaining the long-term goal of achieving a tighter format, with strong competences in specific domains identified as being of strategic importance for Schneider Electric.

  Accordingly, at the Annual Shareholders' Meeting on April 25, 2016, Mrs. Cécile Cabanis, who joined the board as a non-voting member in October 2015, was appointed director due to her knowledge of the challenges of a major French group in the CAC 40 and Mr. Fred Kindle, who joined the board as a non-voting member in February 2016 was appointed as director due to his in-depth knowledge of the market and sector on which Schneider Electric operates.

  It also recommended renewing the terms which were due to expire, namely the terms of:

  - Mr. Léo Apotheker, who brings to the board, and to the Governance and remuneration committee (which he chairs), his expertise in the fields of technology and management of multinationals,
  - Mr. Xavier Fontanet, whose former experience at the helm of a major French listed company is extremely valuable,
  - Mr. Antoine Gosset-Grainville, who brings to the board his deep legal and economic expertise,
  - Mr. Willy Kissling, who brings to the board his knowledge of the industry and information technology.

  The board of directors also deliberated on the composition of its committees. It allowed the continuity of action of the Governance and remuneration Committee by the renewal of Mr. Léo Apotheker who is also the Vice-Chairman independent lead director chairing the Governance and Remuneration committee:

- discussed whether to maintain the unification of the functions of Chairman and CEO (see above p. 134);
- examined the succession plan for corporate officers at one of its "executive sessions";
- delibared, during its meeting of February 16, 2016, on its self-assessment and identified a certain number of improvement topics;
- debated, during its meeting of December 16, 2016, on its functioning, rewiewing items identified further to the self-assessment of 2015 and identifying new areas of improvement in preparation for the external assessment to be implemented in 2017.
- discussed and reviewed the rules relating to the compensation of the corporate officers (determining the level of achievement of their personal objectives in 2015 and setting the rules for their 2016 compensation: fixed part, variable part, complementary compensation and long-term incentive plan);
- conducted a study of the appropriateness and efficiency of the method applied by the board of directors in determining the compensation of the corporate officers. The findings of the study are presented in chapter 8 section 1 of the registration document and the principle and rules applied by the board in determining compensation of corporate officers are presented below, see chapter 3 section 7;
- was informed of the meetings with major shareholders conducted by the Vice-Chairman lead independent director on gouvernance 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 2016 long-term incentive plan. It accordingly reviewed the performance conditions (see p. 159), drew up a list of beneficiaries (which includes the corporate officers) and set the terms of individual awards;
- validated the calculation of the level of achievement of performance criteria applicable to Performance Share plans 15 to 16 *bis*;
- decided on capital increases reserved for employees, see p. 304;
- approved the Chairman's report on the composition of the board and the application of the principle of balanced representation of women and men on the board, and the conditions applicable for the preparation and organization of

the work carried out by the board, and the internal control and risk management procedures implemented by the Company;

- examined the regulated agreements and committments.

In 2016, the board of directors held 3 "executive sessions" during which the members of the board of directors discussed: the strategy, the succession plan for the Chairman, the organization and the composition of the Executive Committee.

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

3.2 Strategy

The board of directors conducted a throrough review of the strategy Group, like every year, as part of a meeting named "strategy session" specifically dedicated to the topic.

During this meeting, each activity and offering of the Group were subject to a detailled presentation, including figures, achievement, client, forecasts, positionning and respective competitors. During 4 days, members of the board of directors were able to share individually with the Executive Committee members and a certain numbers of Business managers, about 20 high functional and operational managers representing all activities and geographies of the Group.

During this strategy session which was held in the American West Coast in August 2016, the Directors also spent a half-day in the R&D Center of Schneider Electric in Lake Forest, CA., devoted to a session of workshops organized in small groups in order review digital Industry offering of Schneider Electric per line of business. Finally, one day was devoted to interactions with digital partners and other strategic experts in this field and in the management.

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 has been informed of moves and changes of competitors of Schneider Electric.

3.3 Activities and results

The board was informed of the Group's 2016 objectives.

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

On February 16, 2016, the board of directors reviewed and approved the 2015 financial statements based on the Audit and risk committee's report and the report by the statutory auditors, who were present at the meeting. The board decided to propose to the Annual Shareholders' Meeting that the dividend be set at EUR2 per share. Similarly, on July 27, 2016, it reviewed and approved the financial statements for the first half of 2016.

Based on the Audit and risk committee's report, the board of directors was informed about and discussed changes in risk mapping and the work of the Group's internal audit and internal control teams. The Audit committee also reported to the board on its other duties, which were also a subject of discussion, in relation to risk management monitoring (risk coverage by insurance, supplier risks).

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

- the Finance Function reorganization as part of the Group "Simplification" initiative;
- the R&D governance transformation and set-up rationalization again as part of the Group "Simplification" initiative;
- the status of the "Commercial transformation" initiative deployment;
- diagnosis on the current situation and perspectives on the Group pricing policies;
- the evolution of the Tax environment and review of the mid-term perspectives;
- the main environmental risks identified and review of the related Group policies;
- the deployment status of the SAP – GRC (Governance, Risk, Compliance) and related policies and guidelines;
- the business model and potential risks;
- the management of major crises (policies, tools and external communication);
- the reporting on fraud prevention systems;
- the Invensys Pensions Scheme;
- the risks mitigation measures for Cyber Security;
- the current status of the "Solutions/Projects tendering and execution".

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

3.4 Annual Shareholders' Meeting

The board approved the agenda and draft resolutions of the 2016 Annual Shareholders' Meeting, and its report to the shareholders at the meeting. It read the proxy-advisors' reports. It was informed of the stances expressed by the shareholders met during the preparation of the Annual Shareholders' Meeting. It approved the responses to the written questions.

Almost all directors were present at the meeting (16/17). It approved all resolutions presented to it, including those relating to the composition of the board of directors, to "Say on Pay" and to the renewal of financial authorizations.

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

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

In its internal regulations, the board defined the functions, missions and resources of its 4 review committees: the Audit and risks committee, the Governance and remuneration committee, the Human Resources and CSR committee and the Strategy Committee.

Committee members are appointed by the board of directors on the proposal of the Governance and remuneration committee. Committees may open their meetings to the other board members. The Vice-Chairman independent lead director may attend any meetings of committees of which he is not a member. The committees may commission studies from outside consultants after having consulted with the Chairman of the board of directors. They may invite anybody they wish to meetings, as necessary. Secretaries of the board committees organize and prepare the work of the committees. They draft the minutes for the meetings of the committees which, following approval, are sent to all members of the board of directors. The secretaries of the committees are members of Group management teams and specialists in the subjects of competence of each committee.

4.1 Audit and 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 published by the AMF in July 2010.

Composition in 2016

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 committee has 4 members: Mr. Gérard de La Martinière, Chairman, Ms. Cécile Cabanis, Messrs. Antoine Gosset-Grainville and Fred Kindle (appointed on April 25, 2016). To the exclusion of Mr. Gérard de La Martinière, who has over 12 years of service on the board of directors, they are all independent. As demonstrated by their career records, summarized on page 139 *et seq.* the Audit Committee members all have recognized expertise in finance, economics and accounting. Mr. Gérard de La Martinière was General Secretary of the COB, member of the Executive Board and Director of Finance, Control and Strategy of the AXA Group, and member of EFRAG (European Financial Reporting Advisory Group). He brings to the committee his vast financial expertise and excellent knowledge of accounting standards.

In addition to their financial and accounting expertise, Mrs. 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, 2016, 75% of the Audit and risks committee consisted 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 Executive Vice-President, Finance is the spokesperson for the Audit and risks committee.

The director of internal auditing 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 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, strictly speaking, fall outside the scope of the auditing of the financial statements;
- monitors the efficiency of internal control and risk management systems. For this purpose:
  - it shall examine the organization and resources used for internal audit, as well as its annual work program. 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;
- reviews the draft report of the Chairman on internal control;
- it shall examine rules of good conduct notably concerning competition and ethics and the measures implemented to ensure that these rules are circulated and applied.

The Audit and 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 2016

In 2016, the Audit committee met 5 times. The average duration of the meetings was 4 hours 15 minutes and the average attendance rate was 90%.

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 and presentation to the Strategy Committee for joint discussion,
   - review of the 2017/Q1 2018 Internal Audit schedule drawn up after the risk mapping review,
   - monitoring the Internal Audit road map realization related to 2016/Q1 2017, and review of main audits' outcome,
   - review of the activities of internal control, particularly the results of assessments/self-assessments,
   - review of risk coverage by insurance,
   - update on the Finance Function reorganization as part of the Group "Simplification" initiative,
   - update on the R&D governance transformation and set-up rationalization again as part of the Group "Simplification" initiative,
   - update on the status of the "Commercial transformation" initiative deployment,
   - diagnosis on the current situation and perspectives on the Group pricing policies,
   - update on the evolution of the Tax environment and review of the mid-term perspectives,
   - update on the main environmental risks identified and review of the related Group policies,
   - update on the deployment status of the SAP – GRC (Governance, Risk, Compliance) and related policies and guidelines,
   - status report on the business model and potential risks,
   - review on the management of major crises (policies, tools and external communication),
   - review of reporting on fraud prevention systems,
   - review of the Invensys Pensions Scheme,
   - update on risks mitigation measures for Cyber Security,
   - update on the current status of the "Solutions / Projects tendering and execution",
   - 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 2016,
- study of the relationship between the work of the Audit and risks committee and that of the board on major risks,
- review of the financial authorizations, whose renewal was presented to the Annual Shareholders' Meeting of April 25, 2016.

The Audit committee reported on its work in 2016 to the board's meetings of February 16, July 27, October 26, and December 15, 2016.

4.2 Governance and remuneration committee

Composition in 2016

The board of directors' internal regulations and procedures provide that the Governance and remuneration committee must have at least 3 members. It is chaired by the Vice-Chairman independent lead director.

This committee is composed of four members: Mr. Léo Apotheker, Chairman, Mr. Willy Kissling, Ms. Linda Knoll and Mr. Gregory Spierkel.

As of December 31, 2016, the Governance and remuneration committee, chaired by an independent director was composed 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 Independent Vice-Chairman 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 forms of benefits of all types granted to them. In this respect, it shall prepare annual assessments of the persons concerned.

Activities in 2016

The committee, which met 6 times in 2016, prepared proposals for the board on:

- the composition of the board of directors and its committees;
- the rules of designation of the director representing employees;
- the renewal of the Vice-Chairman independent lead director;
- the status of the members of the board with regard to the independence criteria;
- the continued unification of the functions of Chairman and CEO;
- the compensation of corporate officers (amount and structure of 2016 compensation, 2016 objectives and level of achievement of 2015 objectives) and the allocation to the above of performance shares as part of the long-term incentive plan;
- the presentation of "Say on Pay" to the Annual Shareholders' Meeting;
- the review of the amounts and allocation rules of the attendance fees;
- the procedure for prevention of insiders trading.

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 capital protection;
- the draft report of the Chairman of the board of directors on corporate governance;
- developments in the legislative and regulatory environment and in particular on the consequences of the adoption of the law known as "Sapin 2" providing for a binding vote of the shareholders on the executive corporate officers' compensation, as well as of the coming into force of the Market Abuse Regulation n°596/2014;
- the review of the regulated agreements and commitments.

In addition, as part of the self-assessment of the board of directors, the committee, first, conducted a follow-up of the improvement areas concerning issues raised in 2015, and then, identified new topics for improvement in preparation for the external assessment to be implemented in 2017.

The committee also met jointly with the Human Resources and CSR committee to review and make proposals to the board of directors on changes to the long-term incentive plans and in particular on the performance criteria.

The committee met 6 times. The attendance rate of directors who are members of the committee was 100%. It reported on its work at the board's meetings of February 16, April 25, October 26 and December 15, 2016.

4.3 Human Resources and CSR committee

Composition in 2016

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: Mrs. Linda Knoll, Chairman, Mrs. Magali Herbaut, Mr. Willy Kissling, Mrs. Cathy Kopp and Mr. Henri Lachmann.

As of December 31, 2016, 50% of the Human Resources and CSR committee consists of independent directors (non-voting member excluded).

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 committee secretary.

Responsibilities

The committee develops proposals to the board of directors on:

- the establishment of stock purchase or subscription options plans, the allocation of free/performance shares, and the monetary value of options or shares allocated to 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 2016

The committee, which met 3 times in 2016, with all members present, drew up proposals for the board of directors on:

- the 2016 annual long-term incentive plan and on the implementation of an annual performance share plan for the newcomers;
- the 2017 long-term incentive plan;
- the launch in 2017 of a new Group employee share issue (Wesop 2017).

The committee also reported to the board on:

- the compensation reviews of Executive Committee members;
- the performance reviews of Executive Committee members;
- the review of succession plans for members of the Executive Committee;
- the review of the policy of male/female equal opportunities and compensation;
- the CSR performance.

The committee also met jointly with the Governance and remuneration Committee to review and make proposals to the board of directors on changes to the long-term incentive plans.

It reported on its work to the board's meetings of February 16, October 26 and December 15, 2016.

4.4 Strategy Committee

Composition in 2016

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 5 members: Messrs. Xavier Fontanet, Chairman, and Léo Apotheker, Ms. Betsy Atkins, and Messrs. Fred Kindle and Gregory Spierkel.

As of December 31, 2016, the Strategy Committee included 100% independent directors.

Operating procedures

The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO. The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO. The committee shall meet at least 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 committee secretary.

Responsibilities

The committee will prepare the board of directors' deliberations on strategic matters. For this purpose:

- it shall give its opinion to the board of directors on the major acquisition, joint-venture and disposal projects that are presented to the board for authorization;
- it shall study in detail at 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 2016

The committee met twice in 2016, meetings to which must be added a working lunch with the Audit & risks committee for joint review of the risk mapping. The average duration of these meetings was approximately 2 hours. The committee devoted its work mainly to:

- the preparation of board of directors' strategy days which were convened in August on the American West Coast;
- the determination of the subject matters related to organic growth;
- the joint review of the risk mapping with the Audit and Risks Committee.

The attendance rate of members of the committee was 83%. It reported on its work to the board's meetings of February 16 and during the strategy days.

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, 2013, the board of directors decided to unify the functions of Chairman and Chief Executive Officer, and to appoint Jean-Pascal Tricoire as Chairman and Chief Executive Officer. On April 25, 2016, the board of directors, which in accordance with its internal regulation must annually re-discuss the unification of the functions of Chairman and Chief Executive Officer, confirmed its decision for the reasons given on page 134.

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 stipulate 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, 2013, on the proposal of Jean-Pascal Tricoire, the board of directors appointed Emmanuel Babeau as Deputy CEO in charge of Finance and Legal Affairs.

Emmanuel Babeau

Age: 49 years

Nationality: French

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

66,837[(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 on the supervisory board of Schneider Electric Energy Acces; 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 Schneider Electric Taiwan, Telvent GIT SA and Transformateurs SAS, Chairman of the board of directors 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.

Note: bold indicates the names of companies whose securities are listed on a regulated market.
(1) Held directly or through the FCPE.

6. Declarations concerning the situation of the members of the administrative, supervisory or management bodies

The members of the board of directors hold 0.08% of the share capital and 0.12% of the voting rights.

Jean-Pascal Tricoire is Chairman of the board of directors of Schneider Electric Industries SAS, Chairman of the board of directors of Schneider Electric Holdings Inc. and Chairman of the board of directors of Schneider Electric Asia Pacific. He receives compensation from these two companies for the last two functions.

Emmanuel Babeau is CEO of Invensys Ltd, a position for which he receives compensation.

Magali Herbaut has a work contract with Schneider Electric Industries SAS.

6.1 Service contracts

In accordance with the AFEP/MEDEF guidelines, which provide that specific functions such as Vice-Chairman or lead director may give rise to the payment of exceptional compensation which is then subject to the rules on regulated agreements, the board of directors has provided that the Vice-Chairman independant 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. A new agreement, entered into with Mr. Léo Apotheker, is submitted for approval of the shareholders at the General Meeting of April 25, 2017 (4th resolution), providing for the same compensation.

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 305 *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 (Corporate Officers and members of the Executive Committee) compensation policy

This section is included in the Chairman's report to the board of directors.

7.1.1 Governance of the compensation policy

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

The board of directors is also informed or consulted regarding the compensation policy applying to other members of the Group Senior Management (see section 7.5), through the report to the Board of the Human Resources and CSR Committee. This process guarantees consistency and balance between the compensation policy applied to the Senior Managers and the compensation policy applied to the 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.

75% of the members of the board of directors are independent directors under the definition of the AFEP/MEDEF Code and the directors contribute a breadth of expertise that is varied and specialized. 75% of the Governance and remuneration Committee is composed of independent directors including its Chairman.

The Governance and remunerations committee are entitled to call upon external experts for specific missions and analyses.

7.1.2 Principles of the compensation policy

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

I. **COMPETITIVENESS: incentivize** and retain Group Senior Management in a highly competitive international market.

II. **PAY FOR PERFORMANCE: reward** individual and collective performance by aligning the levels of compensation with the Group's results, through a pay mix largely composed of performance linked elements fairly balancing Financial and Sustainability & transformation objectives, distributed between short-term (STIP) and medium-term (LTIP) components.

III. **ALIGNMENT WITH SHAREHOLDERS' LONG TERM INTERESTS**, by allocating a greater weight to the share based benefits, making up more than 50% of the target package for the corporate officers;

1. Competitiveness: incentivize and retain Group Senior Management in a highly competitive international market

To motivate and retain senior management, the compensation package must be competitive in all its components: salary, variable compensation, long-term incentive and supplementary pension plans.

Schneider Electric operates at a global level and its main competitors are international groups, this is the reason why:

- Corporate Officers' compensation is benchmarked against the third quartile of the CAC 40 index compensation, the median of Stoxx Europe 50 (both in line with the positioning of the Group within these indices) and the median of the company specific international peer group. This benchmarking is used as an indicator, not as a target, and is done *ex-post*, for reference only. The company specific international peer group is reviewed with a consultancy firm on a pluriannual basis, when required in order to follow the evolution of the Group and also take into account the changes in the selected peers. The new peer group was selected with the consultancy firm Willis Towers Watson and replaces the peer group built in 2012: it comprises European or US based companies, covering:
  - business competitors – in particular those identified in the Long-Term Incentive Plan as performance peers for calculation purposes of TSR,
  - talent competitors – for operational and functional jobs,
  - "acceptance" peers, *i.e.* groups of a similar size, business or structure;

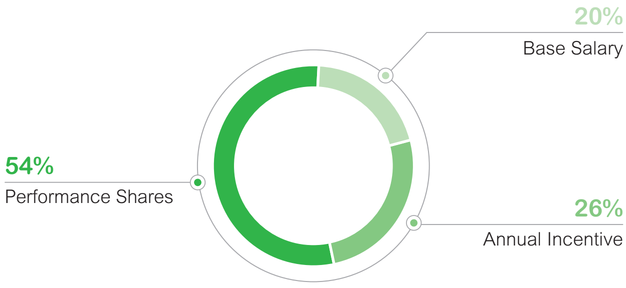
  The new company panel comprises: ABB, ACS, Air Liquide, Airbus Group, Atlas Copco, Autodesk, Bayer, Dassault Systèmes, Eaton, Emerson, Hexagon, Honeywell, Johnson Controls International, Lafarge Holcim, Legrand, Philips, PTC, Rockwell Automation, Saint-Gobain, SAP, Siemens, Syngenta, Thyssen Krups, Vinci.

  The graphs presented below page 329 illustrate that the compensation package of the Corporate Officers falls into the range defined by the board.
- For other Group Senior Management members, Schneider Electric targets the third quartile of a regional panel of companies (Pan European region, US, Hong Kong-Singapore, China).

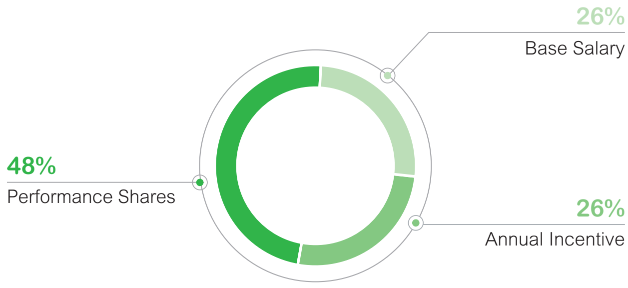
2. Pay for performance: reward individual and collective performance by aligning the levels of compensation with the Group's results

The Senior Management's pay mix is heavily weighted toward variable performance criteria, which represent 70% of the compensation package of the Executive Committee members, and around 80% of the package of the Corporate Officers, whose 'on target' package is broken down as follows:

Jean-Pascal Tricoire - 2016



Emmanuel Babeau - 2016



The **annual cash incentive**, expressed as a percentage of the fixed compensation, is linked to achieving objectives set out at the beginning of the financial year. It may vary from 0% to 200% of the target, depending on the level of achievement. 100% achievement rate corresponds to the fullfilment of the target objectives.

In 2016 and in 2017, the annual incentive in cash for Corporate Officers is determined as follows:

Corporate officers Short Term Incentive Plan ("STIP")		2017 Target variable component	2016 Target variable component
Economic Criteria		**75%**	**60%**
Group		**60%**	**40%**
	Organic Growth of the Group	30%	13.33%
	Adjusted EBITA	20%	13.33%
	Group cash conversion rate	10%	13.33%
Company program priorities		**15%**	**20%**
	Transactional sales growth	-	6.67%
	Field Services (without process automation) Sales growth	5%	6.67%
	Systems Gross Margin (Projects & Equipment)	5%	6.67%
	Digital Index*	5%	-
Non-economic measurable Criteria		**5%**	**20%**
	Customer satisfaction	-	10%
	Planet & Society Barometer	5%	10%
Goals assigned by the board based on the company strategic plan		**20%**	**20%**
TOTAL		**100%**	**100%**

* *The exact nature of this criterion is not disclosed for business confidentiality reasons.*

Multiplier for Corporate Officers neutral in 2016 and not pursued:

- The board of directors had provided for a multiplier to be applied to the variable part in cash based on the implementation of a successful growth strategy (see 2015 Registration Document, page 156). The board considered that the objective had been met and decided to apply 1 as multiplier, with therefore no impact on the Corporate Officers' compensation. The mechanism has not been reiterated and the use of the multiplier is not maintained.
- The **long-term incentive in shares** may range from 0% to 100% of stock grants depending on achievement versus performance conditions. For all members of the Executive Committee as well as the Corporate Officers, 100% of the shares granted are subject to performance conditions (see details below).

3. Alignment with shareholders' long term interests by overweighting share-based benefits in the compensation

To enable alignment with shareholders' interests, grant of a long-term incentive is contemplated which is entirely subject to performance conditions.

Performance shares represent around 50% of compensation package of Corporate Officers and members of the Executive Committee.

The level of achievement of the performance conditions is reviewed by the Human Resources & CSR committee. Details of these performance shares are set out on pages 308 and subs. In 2016, the allocation of shares is dependent on attaining the following Group objectives, now appreciated over 3 years (instead of 2 years previously):

1. for 40%, a yearly target operating margin of Adjusted EBITA for the 2016/2018 period;
2. for 25%, in the form of an objective of cash conversion rate for the 2016/2018 period;
3. for 20%, a level of achievement of the Planet & Society Barometer at the end of the acquisition period;
4. for 15%, in the form of a TSR objective linked to Schneider Electric ranking in a panel of 12 companies by end of 2018.

The performance criteria are chosen from financial indicators that are most representative of Group performance, 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.

The performance levels required by the board to reach each target were set in early 2016 in line with the forecasts disclosed to the market simultaneously with the results of the fiscal year ended; they were not adjusted during the fiscal year.

The individual qualitative and/or quantitative targets were also determined by the board at the beginning of the year in accordance with the goals of the strategic plan and the contribution that the corporate executive is requested to make to these goals. Based on the circumstances and the priorities, the targets also encompass risks that would have been raised by the Audit committee and the recommendations of the Governance and remunerations committee and the Human Resources and CSR committee. In the highly competitive environment in which Schneider Electric Group operates, it would be harmful for the Group to disclose these targets, even retrospectively, because they pertain to targets that extend over several years.

The above performance conditions will also apply to 2017 performance shares plans (with only one change: the objective in relation to the Planet & Society Barometer will be set every year).

Besides, in order to reinforce the alignment with the shareholders' interest, for long-term incentives implemented from 2016 onwards, the period during which performance conditions is appreciated has been brought from 2 to 3 years and an external performance criteria was introduced with the relative TSR. In 2017, it has been decided to create a separate Plan, only for Corporate Officers, providing for the same features with an additional 1-year holding period.

7.2 Pension benefits

This section is included in the Chairman's report to the board of directors.

As a reminder, the board of directors of February 18, 2015 decided to withdraw Corporate Officers' right to the defined benefit top-hat pension plan (article 39). However, it maintained the life and disability coverage. Corporate Officers do not benefit from any supplementary defined-contribution plan (article 83).

The decision to withdraw the entitlement to defined-benefit top-hat pension plan (article 39) was extended to the other members of the Group Senior Management previously concerned on March 22, 2016 (see below section 7.5).

In aggregate, the board of director's decision to withdraw entitlement to the supplementary pension plan for Corporate Officers and executives covered by French schemes, has notably resulted in a provision reversal of EUR24 million, including EUR17 million in the 2015 accounts for Corporate Officers.

7.3 Compensation of members of the board of directors

This section is included in the Chairman's report to the board of directors.

Members of the board of directors

On April 25, 2016, the Annual Shareholders' Meeting set total attendance fees at EUR1,500,000 in order to take into account the increase of the workload of the directors and to attract international competences.

To take into account the increase in the number of meetings of the board and its committees on the one hand, and the time-commitment of foreign residents on the other hand, while remaining within the budget authorized by the Annual Shareholders' Meeting, the board of directors reviewed the attendance fee allocation rules previously established and therefore adopted the following rules, applicable in 2016 (attendance fees paid in the financial year 2017):

a) for members of the board:
   - a fixed sum of EUR15,000 (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 non-residents, for each meeting of the board or of a committee they physically attend, an additional sum of:
  - for residents of North America and Asia, EUR5,000 per day spent,
  - for European (non-french) residents, EUR3,000 per day spent;
- for the Chairman of the Audit committee, an additional fixed compensation of EUR20,000;

b) for the non-voting members, a fixed share of EUR20,000, unless they are co-opted to become director during the year, in which case they receive in their function as non-voting member the fees paid to board members for attending meetings of the board and its committees.

On this basis, applicable for the attendance fees earned in 2016 (the attendance fees earned in 2015 being subject to the former rules), and noting that Jean-Pascal Tricoire waived payment of his attendance fees, attendance fees earned in 2015 and 2016 were as follows:

Corporate officers who are not directors	Amounts paid/ due for fiscal year 2016[1]	Amounts paid/ due for fiscal year 2015[1]
Mr. APOTHEKER		
Attendance fees	EUR130,000	EUR115,000
Other compensation:		
Vice-Chairman and lead director (as of May 6, 2014)	EUR250,000	EUR250,000
Ms. ATKINS		
Attendance fees	EUR84,000	EUR78,000
Other compensation		
Ms. CABANIS		
Attendance fees	EUR82,000	EUR23,500
Other compensation		
Mr. FONTANET		
Attendance fees	EUR74,000	EUR69,500
Other compensation		
Mr. FORGEARD		
Attendance fees	EUR35,754	EUR92,500
Other compensation		
Mr. GOSSET-GRAINVILLE		
Attendance fees	EUR101,000	EUR82,000
Other compensation		
Ms. HERBAUT[3]		
Attendance fees	EUR86,000	EUR75,000
Other compensation		
Mr. KIM		
Attendance fees	EUR40,754	EUR80,000
Other compensation		
Mr. KINDLE		
Attendance fees	EUR126,115	
Other compensation		

(1) Attendance fees for the year are paid at the beginning of the following year.
(2) Non-voting member.
(3) Ms. Herbaut, who is also employed by a Group subsidiary, receives compensation for such employment.
(4) Paid by the insurance company.

Corporate officers who are not directors	Amounts paid/ due for fiscal year 2016(1)	Amounts paid/ due for fiscal year 2015(1)
Mr. KISSLING		
Attendance fees	EUR140,000	EUR109,000
Other compensation		
Ms. KNOLL		
Attendance fees	EUR146,000	EUR76,500
Other compensation		
Ms. KOPP		
Attendance fees	EUR86,000	EUR69,500
Other compensation		
Mr. DE LA MARTINIÈRE		
Attendance fees	EUR116,000	EUR102,000
Other compensation		
Mr. LACHMANN(2)		
Attendance fees	EUR44,415	EUR69,500
Pension (article 39)(4)	EUR581,969	EUR581,969
Mrs. SCHRODER		
Attendance fees	EUR820	EUR70,000
Other compensation		
Mr. SPIERKEL		
Attendance fees	EUR134,000	EUR85,450
Other compensation		
Mr. THOMAN		
Attendance fees	EUR55,754	EUR102,000
Other compensation		

(1) Attendance fees for the year are paid at the beginning of the following year.
(2) Non-voting member.
(3) Ms. Herbaut, who is also employed by a Group subsidiary, receives compensation for such employment.
(4) Paid by the insurance company.

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 is submitted to the approval of the shareholders at the Shareholders' Meeting of April 25, 2017.

The board provided that Léo Apotheker could, in the performance of his duties as Vice-Chairman lead director use certain resources of the Group's management.

7.4 Compensation and performance shares for corporate officers

At its February 15, 2017 meeting, the board of directors, upon recommendation by the Governance and remunerations committee and after closing the 2016 fiscal year, calculated the components of compensation and benefits granted to Jean-Pascal Tricoire, Chairman and CEO, and Emmanuel Babeau, Deputy CEO in charge of finance and legal affairs, without them being present, in consideration for their duties as corporate officers of Schneider Electric SE and in consideration for the offices they held in the other Group entities.

For the record, their compensation for 2015 was determined by the board in its meeting of February 16, 2016.

The principles and methodology followed by the board remain substantially the same.

Preamble: Positioning of the compensation on the international market

The board decided to benchmark the Corporate Officers' compensation package in relation to:

- the median range of a peer group made 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 a multi-year basis (2012 selection re-examined in 2016, see section 7.1 above for details);
- the top quartile of the CAC 40;
- the median of the Stoxx Europe 50, in line with the Group's position within these indices.

The results of benchmarking etudy are presented pages 329-330 of the Registration Document. They show that the Corporate officers' compensation consistently falls within the ranges set by the Board.

7.4.1 Compensation and benefits granted in 2016

7.4.1.1 Mr. Jean-Pascal Tricoire, Chairman and CEO

The tables below sum up the compensation granted to Jean-Pascal Tricoire for the 2016 financial year; each component is detailed in the sections below.

Table 1: Reported compensation and benefits (presentation based on AFEP/MEDEF recommandation)

Jean-Pascal TRICOIRE	Amounts due for fiscal year 2016		Amounts due for fiscal year 2015	
Chairman and CEO *(in euros)*				
A- Cash compensation				
Base salary	950,000	*17%*	950,000	*15%*
Annual incentive	1,598,090	*28%*	1,213,182	*20%*
Attendance fees	0		0	
Sub total (A) (cash compensation)	**2,548,090**		**2,163,182**	
B- Benefits in kind				
Value of the performance shares granted in 2016(1)	2,575,800(2)	*46%*	3,567,060(3)	*58%*
Fringe benefit (car)	13,408(4)		0	
Sub total (B) (benefit in kind)	**2,589,208**		**3,567,060**	
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION CASH BENEFIT)	**5,137,298**		**5,730,242**	
C- Pension cash benefit				
Complementary payment for pension building (fixed amount)	182,000		182,000	
Complementary payment for pension building (variable amount)	306,160		232,420	
Sub total (C) (pension cash benefit)	**488,160**	***9%***	**414,420**	***7%***
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFIT IN KIND AND PENSION CASH BENEFIT)	**5,625,458**	**100%**	**6,144,662**	**100%**
Reminder – one-off lump sum payment to build up a pension(5)	N/A		**4,300,000**	
In cash			2,150,000	
In free shares(6)			2,150,000	

(1) Because the earnings on these shares are subject to the achievement of the performance conditions, this is neither compensation that is actually collected during the fiscal year nor compensation that is assured in its principle or amount. Their distribution is valued based on the method recommended by standard IFRS 2.
*(2) Valuation of 18,000 shares allocated under Plan no. 25 and of 42,000 shares under Plan no. 26, see paragraph B.a) below, that is, 18,000 shares * €42.30 + 42,000 shares * €43.20 = €2,575,800.*
*(3) Valuation of 18,000 shares allocated under Plan no. 21 and of 42,000 shares under Plan no. 22, that is, 18,000 shares * €60.76 + 42,000 shares * €58.89 = €3,567,060.*
(4) In 2016 Mr. Tricoire has been provided with a company car whose value has been appraised at €13,408.
(5) It should be noted that during the February 18, 2015 meeting, the board of directors eliminated the entitlement to an additional pension with defined benefits ("Article 39"), to the eligible corporate officers, giving them responsibility for building up their pensions, and also authorized this one-time lump-sum payment that is released half in cash and half in free shares accompanied by a holding period of the shares. The details on the replacement mechanism and the impact of the board of directors' decisions on the company are outlined in the 2015 registration document (page 293 et seq.). This amount is isolated so as to avoid any distortion of comparative analyses.
(6) Allocation of 11,700 free shares under Plans no. 19 a and b and 27,300 free shares under Plans no. 20 a, b and c, shares that, until their delivery, are valued based on the statistical method recommended by standard IFRS 2 (see Registration Document 2015, page 162).

Table 2: Realised compensation and benefits (presented in accordance with US standards)

The table below shows the actual compensation of the Chief Executive officer. The performance shares presented herein are those for which the rate of achievement has been measured and set. Where required, they are valued at the stock price of the last day of the performance period.

Jean-Pascal TRICOIRE	Amounts due for fiscal year 2016		Amounts due for fiscal year 2015	
Chairman and CEO ***(in euros)***				
A- Cash compensation				
Base salary	950,000	*16%*	950,000	*19%*
Annual incentive	1,598,090	*28%*	1,213,182	*24%*
Attendance fees	0		0	
Sub total (A) (cash compensation)	**2,548,090**		**2,163,182**	
B- Benefits in kind				
Value of the performance shares realized in 2016	2,816,286(1)	*48%*	2,459,808(2)	*49%*
Fringe benefit (car)	13,408(3)		0	
Sub total (B) (benefits in kind)	**2,829,694**		**2,459,808**	
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION CASH BENEFIT)	**5,377,784**		**4,622,990**	
C- Pension cash benefit				
Complementary payment for pension building (fixed amount)	182,000		182,000	
Complementary payment for pension building (variable amount)	306,160		232,420	
Sub total (C) (pension cash benefit)	**488,160**	***8%***	**414,420**	***8%***
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**5,865,944**	***100%***	**5,037,410**	***100%***
Reminder – one-off lump sum payment to build up a pension(4)	N/A		**4,880,390**	
In cash			2,150,000	
In free shares(5)			2,730,390	

*(1) Valuation of the shares of Plan nos. 21 and 22 allocated in 2015, the performance measures of which during the 2015-2016 fiscal years led to the application of a 29% discount in relation to the number of shares originally allocated. These shares are valued at the price recorded at the closing of fiscal year 2016, amounting to €66.11, that is, 60,000 shares * achievement rate 71% * €66.11 = €2.816.286 (See paragraph B.b) below).*

*(2) Valuation of shares from Plan nos. 17 and 18 allocated in 2014, the performance measures of which during the 2014-2015 fiscal years led to the application of a 22% discount in relation to the number of shares originally allocated. These shares are valued at the price recorded at the closing of fiscal year 2015 amounting to€52.56, that is, 60,000 shares * achievement rate 78% * €52.56 = €2,459,808.*

(3) In 2016, Mr. Tricoire has been provided with a company car whose value has been appraised at €13,408.

(4) It should be noted that during the February 18, 2015 meeting, the board of directors eliminated the entitlement to an additional pension with defined benefits ("Article 39"), to the eligible corporate officers, giving them responsibility for building up their pensions, and also authorized this one-time lump-sum payment that is released half in cash and half in free shares accompanied by a holding period of the shares. The details on the replacement mechanism and the impact of the board of directors' decisions on the company are outlined in the 2015 Registration Document (page 293 et seq.). This amount is isolated so as to avoid any distortion of comparative analyses.

*(5) Allocation of 11,700 free shares under Plans no. 19 a and b and 27,300 free shares under Plans no. 20 a, b and c. These shares are valued at the price on the allocation date, February 18, 2015, amounting to €70.01, that is, 39,000 shares * €70.01 = €2.730.390.*

A. Base salary and short-term annual incentive in cash

a) Base salary

In accordance with the board of directors' decision on February 16, 2016, Mr. Tricoire's base salary for 2016 was **EUR950,000**, an amount which remained unchanged since his appointment as Chairman and CEO in April 2013.

b) Short-term annual incentive

Following analysis of the achievement of the targets that had been assigned by the board of directors in its meeting dated February 16, 2016, on the proposal from the Governance and remunerations committee Mr. Tricoire's variable compensation was set by the board at 129.40% of the target amount, *i.e.*, **EUR1,598,090**.

The table below provides a breakdown of the calculation of the 2016 variable compensation according to the method and criteria defined by the board of directors, the rate of achievement of which was recorded by the board of directors on February 15, 2017:

					Actual payout	
			On- Target payment	Achievement rate-base 100	In % of base salary	Amount (in €)
60%		**Economic Criteria**				
40%		**Group Financial indicators**				
	13.33%	Organic Growth of the Group	17.33%	155%	26.90%	255,233
	13.33%	Adjusted EBITA	17.33%	200%	34.70%	329,333
	13.33%	Group cash conversion rate	17.33%	200%	34.70%	329,333
20%		**Company program priorities**				
	6.67%	Transcactional Sales growth	8.67%	135%	11.70%	111,150
	6.67%	Field Services (without Process Automation) Sales growth	8.67%	0%	0%	0
	6.67%	Systems Gross Margin (Projects & Equipments)	8.67%	0%	0%	0
20%		**Non-economic Criteria**				
	10%	Customer satisfaction	13%	64%	8.30%	79,040
	10%	Planet & Society Barometer	13%	200%	26%	247,000
20%		**Individual assessment by the board**				
	20%	Individual goals determined by the board based on the company's strategic plan	26%	100%	26%	247,000
100%	**TOTAL**		**130%**	**129.40%**	**168.22%**	**1,598,090**

As a reminder, the variable compensation may range from 0% to 260% of base salary where 0% corresponds to the minimum target achievement, short of which the corresponding portion of the variable compensation is zero; 130% corresponds to the achievement of the targets set; and 260% corresponds to the cap allocated in the event that the targets are surpassed. The progression between these two limits is linear.

Comments regarding the achievement rate of 2016 objectives

The measurable financial objectives for 2016 represented 60% of the variable compensation in cash of Messrs. Jean-Pascal Tricoire and Emmanuel Babeau. In total, the performance reached by the Group leads to an overall achievement rate of 129.40% on a base 100, this represents 168.22% of Mr. Tricoire's base salary. This number, above target, reflects the strong results delivered by Schneider in 2016. The Group significantly exceeded initial targets set for the year and communicated to the financial markets and progress was made in all the key dimensions of the strategic roadmap of the Group.

- Group Sales Growth

  The 155% achievement on the Group Sales growth corresponds to a high achievement on the organic growth within the initial objective range. This range had been set in line with the one communicated to the market in February 2016 and corresponded to a slight decrease or about flat organic sales growth before impact of selectivity. The Group achieved a -0.9% organic growth, corresponding to a slightly positive organic growth in 2016 excluding the impact of selectivity (which had a negative impact of more than -1% on revenue growth in 2016), therefore in the high end of the targeted range for the year.

- Group EBITA % on Sales

  The 200% achievement rate relating to Group EBITA adjusted margin corresponds to an overachievement on the level of the Group EBITA adjusted margin compared to the target range. The target range had been set within the initial guidance of an EBITA adjusted margin improvement of +20 bps to +60 bps before foreign exchange impact communicated to the market in February 2016. The EBITA adjusted margin reached 14.1% in 2016, improving +90 bps before impact of foreign exchange, exceeding the upper-end of the initial objective range by +30 bps.

- Group cash conversion rate

  The Group achieved a record free cash-flow generation in 2016 of EUR2.2 billion, showing a high single digit growth versus the previous year and representing 118% of the normalized net profit of the company, very significantly above the objective of a 100% conversion rate of the net profit of free cash-flow in the long-term. This very strong outperformance versus the objective resulted in the 200% achievement rate.

- Transactional Sales Growth

  Growing the products within the overall Schneider portfolio is one of the key priorities of the Group and therefore a specific objective was assigned to it, with an ambition set at the high end of the overall Group objective of an organic sales growth flat to slightly negative for 2016.

  The Group delivered +0.3% of organic growth on the product business, above the initial target, which resulted in the achievement rate of 135% on this criterion.

- Field Services Growth

  The Field services growth objective was set at the high-single digit organic growth in 2016, in line with the Group's priority and ambition to grow the service business of Schneider Electric. The 0% achievement on this criterion reflects a revenue organic growth of services in 2016 of around +5%, hence below the range targeted.

- System Gross Margin

  Improving the gross margin on systems (project and equipment) is another major priority of the Group in order to drive a return on capital employed on Systems closer to the one that is achieved on products or services. A very ambitious target had been set on this criterion. The Group eventually delivered a significant improvement of 0.4 points, however this was below target resulting in a the 0% achievement rate.

- Individual objectives

  Amongst the individual objectives assigned by the board to Mr. Tricoire for 2016, specific contributions in relation to the following specific projects were retained:

  - to restructure and accompany the Executive Committee in the new reorganization;
  - the launch of EcoStruxure™; and
  - to develop growth areas specifically identified, the disclosure of which could be used by business competitors or harm the interests of the Group. These growth areas define the strategic priorities determined by the board through measurable criteria highly targeted.

- Multiplier

  The board of directors had decided that a multiplier would be applied to the variable part in cash based on the implementation of a successful growth strategy (see 2015 Registration Document, page 156). The board considered that the objective had been met and decided to apply 1 as multiplier, having therefore no impact on Mr. Tricoire's compensation. The mechanism is not maintained.

B. Long Term Equity Benefits

a) Granted in 2016: performance shares subject to performance conditions reported in accordance with AFEP/MEDEF recommandation

As part of the long-term incentive plan granted to the executives for 2016, Mr. Tricoire has been granted 60,000 performance shares, the performance criteria of which are detailed below:

Plan No. 25	Weight	Date or performance period
Adjusted EBITA 2016-2018	40%	2016-2018
Group Cash conversion rate	25%	2016-2018
Planet & society Barometer at 31/12/2018	20%	31/12/2018
TSR objective(1)	15%	2016-2018
TOTAL	**100%**	
Number of shares granted: 18.000 shares		
Date of delivery(2): March 27, 2019 Date of availability(2): March 27, 2021		

(1) Comparison panel: ABB, Legrand, Schneider Electric, Siemens in Europe; Eaton, Emerson, Honeywwell, Johnson Control, Rockwell Automation in the USA; Fuji Electric, Mitsubishi Electric, Yokogawa in Asia (see Registration Document 2015, p. 304).
(2) Plan subject to a 3-year vesting period followed by a 2-year holding period.

Plan No. 26	Weight	Date or performance period
Adjusted EBITA 2016-2018	40%	2016-2018
Group Cash conversion rate	25%	2016-2018
Planet & Society Barometer at 31/12/2018	20%	31/12/2018
TSR objective(1)	15%	2016-2018
TOTAL	**100%**	
Number of shares granted: 42.000 shares (plan 26)		
Date of delivery and availability(2): March 27, 2020		

(1) Comparison panel: ABB, Legrand, Schneider Electric, Siemens in Europe; Eaton, Emerson, Honeywwell, Johnson Control, Rockwell Automation in the USA; Fuji Electric, Mitsubishi Electric, Yokogawa in Asia (cf. Registration document 2015, p. 304).
(2) Plan subject to a 4-year vesting period.

The targets, bonds and formula are detailed in chapter 8.1.

According to the method recommended by IFRS 2 standards, the accounting valuation of these potential allocations that are still subject to performance conditions is the following:

	Number of Shares	IFRS value per share	Global hypothetical valuation
Plan No. 25	18,000	42.3	761,400 €
Plan No. 26	42,000	43.2	1,814,400 €
			2,575,800 €

The portion of shares allocated to Mr. Tricoire represents 2% of the total number of performance shares granted by the board of directors under these plans and 0.01% of capital at the date of this allocation.

As these shares are subject to the achievement of the performance targets at the end of a multi-year period, there are no grounds to presume either the number of shares that ultimately vest, which will depend on the Group's performance, or the corresponding value, which will depend on the stock price evolution. In any circumstances and whatever his performance, Mr. Tricoire cannot receive more than the number of shares granted to him.

b) Realized in 2016: Performance shares deemed acquired for which the level of achievement of the vesting criteria is determined on December 31, 2016

Reading note: The performance shares realized in 2016 presented below have been granted in the past. They shall not be added to the shares granted in 2016 presented above.

At its February 15, 2017 meeting, on a recommendation from the Human Resources and CSR committee and after obtaining the opinion of the Governance and remuneration Committee, the board of directors determined the achievement rate of performance conditions of Plans nos. 21 and 22 granted in 2015, the performance period of which closed on December 31, 2016. Mr. Tricoire had potentially been granted 18,000 shares under Plan no. 21 and 42,000 shares under Plan no. 22.

The rate of target achievement was set on by the board at **71%**, *i.e.*, a discount of **29%** in relation to the number of shares originally allocated.

In line with the principle of variability described above, and subject to the other conditions of the plans, particularly with regard to affiliation with the Group and keeping of the shares, Mr. Tricoire is therefore entitled to receive 12,780 Schneider Electric shares under Plan no. 21 and 29,820 Schneider Electric shares under Plan no. 22, representing 2.1% of the total of the plans in questioning. These shares are valued at the stock price as of 2016 year-end, *i.e.* EUR66.11.

Plan No. 21	Weight	Achievement rate
Adjusted EBITA 2015-2016	70%	80%
Planet & Society Barometer at 31/12/2016	15%	100%
ROCE 2015-2016	15%	0%
TOTAL	**100%**	**71%**
Number of shares delivered: 18.000 shares* 71%:		12,780 shares
Date of delivery(1): March 27, 2017 Date of availability(1): March 27, 2019		

(1) Plan subject to a 2-year vesting period followed by a 2-year holding period.

Plan No. 22	Weight	Achievement rate
Adjusted EBITA 2015-2016	70%	80%
Planet & Society Barometer at 31/12/2016	15%	100%
ROCE 2015-2016	15%	0%
TOTAL	**100%**	**71%**
Number of shares delivered: 42.000 shares* 71%:		29,820 shares
Date of delivery and availability(1): March 27, 2019		

(1) Plan subject to a 4-year vesting period.

Comment on the achievement rates:

An achievement rate of 80% was achieved on the Adj. EBITA margin criteria, reflecting an average margin of 13.8% in 2015-2016, below the targeted 14.0% for the period. This margin was calculated at constant perimeter and after forex impact which weighted on the margin by -0.3pt on average on the period.

Going forward, the objective of the 2016 plan related to the Adj. EBITA margin will be an average over a 3-year period (2016-2018) of the achievement rates of annual Adjusted EBITA margin vs. targeted Adjusted EBITA margin rate set, for each year, by the board of directors of Schneider Electric, which will be in line with the objectives usually communicated at the beginning of the year to investors.

No shares were granted under the ROCE performance condition, reflecting an average ROCE of 10.9% over the period 2015-2016, below the target of 11.5%.

The Planet & Society Barometer which measures the progress of the Group with regard to environmental sustainability and social responsibility across 14 indicators reached a level of 8.48. This strong performance owed to the full mobilization of the organization and resulted in the fulfillment of the objective which was set to 100% at an index of 6.

c) Exercise of stock options during the financial year:

	Plan no.	Plan date	Number of options exercised	Exercise price	Exercise date
Jean-Pascal TRICOIRE	28	12/21/2006	172,076	38.18	10/10/2006

d) Stock options or share purchase options granted during the financial year

No stock options or share purchase options were granted during the 2016 financial year.

C. Additional cash benefits for pension

At the February 18, 2015 meeting, in order to reduce the cost arising from the pension build-up of its executives, the board of directors decided to withdraw the Corporate Officers’ entitlement to the defined benefit pension scheme granted to French executives (“Article 39”) and to substitute with an additional payment in order to take into account that they must take personal responsibility for building their pensions.

To ensure consistency and comparability with other French or international companies, these payments are not considered as components of compensation but as cash benefits.

As part of the complementary payment for 2016 in order to build up his pension and in execution of the decision of the board of directors of February 16, 2015, Mr. Tricoire was entitled to:

- a fixed amount of **EUR182,000**;

- a variable amount of **EUR306,160**, calculated by applying to the fixed compensation above the percentage of target achievement determined for the calculation of his variable compensation (EUR182,000* 130%*129.40%).

Based on calculations completed by a consultant actuary appointed for that purpose, continuing the "Article 39" pension scheme would have represented a cost of EUR643,299 for the Group for the 2016 financial year. The adoption of a new scheme has therefore enabled the Group to save **EUR155,138** for 2016.

It should be noted that Mr. Tricoire committed to depositing this additional payment, after taxes, into investment vehicles dedicated to the supplementary financing of his pension.

D. Other benefits of any type

a) Company car

Mr. Tricoire's travel and business expenses are covered by the Group. Mr. Tricoire may use the cars made available to Group Senior Management with or without chauffeur services. In addition, he has been provided with a company car. He is not eligible to be reimbursed for other costs.

b) Life & disability schemes

Mr. Tricoire is 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. He is 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 his 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.

c) Other entitlements

- Mr. Tricoire was eligible to the employer matching contribution paid to subscribers to the capital increase reserved for employees, for an amount of EUR1,404 in 2016.
- Mr. Tricoire was eligible to profit-sharing for an amount of EUR 8,388 in 2016.
- Mr. Tricoire was eligible to the employer matching contribution paid to subscribers to the collective pension fund (PERCO) for the retirement of workers in France, for an amount of EUR 800 in 2016.

E. Other components forming part of the status of the CEO

Corporate officers	Work contract	Top-hat pension benefits	Payments or benefits 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	YES	YES

Agreements related to termination or change of assignment

In accordance with AFEP/MEDEF guidelines, Jean-Pascal Tricoire resigned from his work contract when he was reappointed Chairman of the management board on May 3, 2009. The supervisory board has defined the benefits granted to him as Chairman of the management board. The 2009 Shareholder's Meeting approved the status as defined. This new status was renewed and approved by the Shareholders' Meeting in 2012 in relation to the renewal of Mr. Tricoire's term in office. Due to the change in governance, the status of Jean-Pascal Tricoire was renewed by the board of directors at its meetings on April 25 and June 18 and 19, 2013 and amended on October 24, 2013.

However on this occasion, the board tightened the conditions under which benefits are granted to him if he leaves the Group. Accordingly, among other aspects, the performance conditions related to the Involuntary Severance Pay were made more stringent. Also, the right to retain all of the stock options, stock grants/performance stock grants allocated to him has been restricted only 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.

a) Non-compete agreement

Mr. Tricoire is 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 October 24, 2013 the board decided that, for any resignation other than voluntary, it will have to decide on the application or not of the non-compete clause. However, with regard to voluntary resignations, the board decided that a release from the non-compete obligation may be given through an agreement with the person under such obligation. However, this exception is not applicable if such person leaves while the performance conditions required for Involuntary Severance Pay (see below) have not been met, and does not or will not have rights to or is not or will not be eligible to receive both non-compete compensation and pension payments. In the latter case, the board would decide on whether to implement the non-compete clause.

b) Involuntary Severance Pay

Mr. Tricoire is entitled to Involuntary Severance Pay, at a maximum equal to twice the average of his 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 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 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 in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in shareholder structure as described above;

(iii) dismissal, non-renewal or requested resignation as CEO 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 his resignation (including the financial years during which he served on the management board).

Involuntary Severance Pay depends on the average rate of achievement of the Group's performance criteria (to be distinguished from individual performance objectives) used to determine the performance incentive for the last 3 financial years preceding the date of the Board meeting at which the decision is made.

If the achievement rate of the Group criteria is:

- less than 66%: no compensation shall be awarded;
- 66%: he shall receive 75% of the Maximum Amount;
- at least 100%: he shall receive 100% of the Maximum Amount;
- between 66 and 100%: he shall receive compensation calculated on a straight-line basis at a rate of 75 to 100% of the Maximum Amount.

In any case, Involuntary Severance Pay will not be paid if the resignation is a consequence of wrongful or gross misconduct.

c) Retention of stock options, stock grants and performance shares

Mr. Tricoire shall be entitled to retain, subject to performance conditions, the benefit of his stock options, stock grants and performance shares granted to him or that will be granted to him in the event of Involuntary Severance during the vesting period or prior to having exercised said options. It is specified that the foregoing will be applicable only provided 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.

7.4.1.2 Mr. Emmanuel Babeau, Deputy CEO

The tables below sum up the compensation granted to Emmanuel Babeau for the 2016 financial year; each component is detailed in the sections below.

Table 1: Reported compensation and benefits (presentation based on AFEP/MEDEF recommendation)

Emmanuel BABEAU	Amounts due for fiscal year 2016		Amounts due for fiscal year 2015	
Deputy CEO *(in euros)*				
A- Cash compensation				
Base salary	605,000	*21%*	550,000	*19%*
Annual incentive	782,870	*28%*	542,208	*19%*
Attendance fees	-		-	
Sub total (A) (cash compensation)	**1,387,870**		**1,092,208**	
B- Benefits in kind				
Value of the performance shares granted in 2016[1]	1,116,180[2]	*40%*	1,545,726[3]	*53%*
Fringe benefit (car)	13,197		14,881	
Sub total (B) (benefits in kind)	**1,129,377**		**1,560,607**	
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION CASH BENEFIT)	**2,517,247**		**2,652,815**	
C- Pension cash benefit				
Complementary payment for pension building (fixed amount)	136,400		124,000	
Complementary payment for pension building (variable amount)	176,502		122,243	
Sub total (C) (pension cash benefit)	**312,902**	***11%***	**246,243**	***8%***
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENFEFITS IN KIND AND PENSION CASH BENEFIT)	**2,830,149**	***100%***	**2,899,058**	***100%***
Reminder – one-off lump sum payment to build up a pension[4]	N/A		**1,300,000**	
In cash			870,000	
In free shares[5]			430,000	

(1) Because the earnings on these shares are subject to the achievement of the performance conditions, this is neither compensation that is actually collected during the fiscal year nor compensation that is assured in its principle or amount. Their distribution is valued based on the method recommended by standard IFRS 2.

*(2) Valuation of 7,800 shares allocated under Plan no. 25 and of 18,200 shares under Plan no. 26, see paragraph B.a) below, that is, 7,800 shares * €42.30 + 18,200 shares * €43.20 = €1,116,180.*

*(3) Valuation of 7,800 shares allocated under Plan no. 21 and of 18,200 shares under Plan no. 22, that is, 7,800 shares * €60.76 + 18,200 shares * €58.89 = €1,545,726.*

(4) It should be noted that during the February 18, 2015 meeting, the board of directors eliminated the entitlement to an additional pension with defined benefits ("Article 39"), to the eligible corporate officers, giving them responsibility for building up their pensions, and also authorized this one-time lump-sum payment that is released, for Mr. Babeau, 60% in cash and 40% in free shares, accompanied by a holding period of the shares. The details on the replacement mechanism and the impact of the board of directors' decisions on the company are outlined in the 2015 Registration Document (page 293 et seq.). This amount is isolated so as to avoid any distortion of comparative analyses.

(5) Allocation of 2,325 free shares under Plans no. 19 a and b and 5,425 free shares under Plans no. 20 a, b and c, shares that, until their delivery, are valued based on the statistical method recommended by standard IFRS 2 (see Registration Document 2015, page 162).

Table 2: Realized compensation and benefits (presented in accordance with US standards)

The table below presents the actual compensation of the Deputy CEO. The performance shares presented herein are those for which the rate of achievement has been measured and set. Where required, they are valued at the stock price of the last day of the performance period.

Emmanuel BABEAU	Amounts due for fiscal year 2016		Amounts due for fiscal year 2015	
Deputy CEO ***(in euros)***				
A- Cash compensation				
Base salary	605,000	*21%*	550,000	*23%*
Annual incentive	782,870	*26%*	542,208	*22%*
Attendance fees	-		-	
Sub total (A) (cash compensation)	**1,387,870**		**1,092,208**	
B- Benefits in kind				
Value of the performance shares realised in 2016	1,220,391(1)	*41%*	1,065,916(2)	*44%*
Fringe benefit (car)	13,197		14,881	
Sub total (B) (benefit in kind)	**1,233,588**		**1,080,797**	
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION CASH BENEFIT)	**2,621,458**		**2,173,005**	
C- Pension cash benefit				
Complementary payment for pension building (fixed amount)	136,400		124,000	
Complementary payment for pension building (variable amount)	176,502		122,243	
Sous total (C) (retraite)	**312,902**	***11%***	**246,243**	***10%***
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENFEFITS IN KIND AND PENSION CASH BENEFIT)	**2,934,359**	***100%***	**2,419,248**	***100%***
Reminder – one-off lump sum payment to build up a pension(3)	N/A		**1,412,576**	
In cash			870,000	
In free shares(4)			542,576	

*(1) Valuation of the shares of Plan nos. 21 and 22 allocated in 2015, the performance measures of which during the 2015-2016 fiscal years led to the application of a 29% discount in relation to the number of shares originally allocated. These shares are valued at the price recorded at the closing of fiscal year 2016, i.e. €66.11, that is, 26,000 shares * achievement rate 71% * €66.11 = €1,220,391. See paragraph B.b) below.*

*(2) Valuation of shares from Plan no. 17 allocated in 2014, the performance measures of which during the 2014-2015 fiscal years led to the application of a 22% discount in relation to the number of shares originally allocated. These shares are valued at the price recorded at the closing of fiscal year 2015, i.e. €52.56, that is, 26,000 shares * achievement rate 78% * €52.56 = €1,065,916.*

(3) It should be noted that during the February 18, 2015 meeting, the board of directors eliminated the entitlement to an additional pension with defined benefits ("Article 39"), to the eligible corporate officers, giving them responsibility for building up their pensions, and also authorized this one-time lump-sum payment that is released, for Mr. Babeau, 60% in cash and 40% in free shares accompanied by a holding period of the shares. The details on the replacement mechanism and the impact of the board of directors' decisions on the company are outlined in the 2015 Registration Document (page 293 et seq.). This amount is isolated so as to avoid any distortion of comparative analyses.

*(4) Allocation of 2,325 free shares under Plans no. 19 a and b and 5,425 free shares under Plans no. 20 a, b and c. These shares are valued at the price on the allocation date, February 18, 2015, i.e. €70.01, that is, 7,750 shares * € 70.01 = € 542,576.*

A. Base salary and short-term annual incentive in cash

a) Base salary

In its meeting of February 16, 2016, the board of directors set the 2016 fixed annual compensation for Emmanuel Babeau, Deputy CEO, at **EUR605,000**. In 2016, the base salary of Emmanuel Babeau, which had not been reviewed since 2013, has been increased from €550,000 to €605,000. The 10% increase represents an average salary progression of around 3% per annum over the last three years and reflects his expanded responsibility over the period, notably an increased role in leading the integration of key-acquisitions such as Invensys and the supervision of certain specific regions. The pension contribution has been adjusted accordingly to take this evolution into account.

b) Short-term annual incentive

In its meeting of February 15, 2017, the board of directors examined the achievement of the targets that had been assigned to Mr. Babeau, on the proposal from the Governance and remuneration Committee, Mr. Babeau's variable compensation was set at **129.40%** of the target amount, *i.e.*, **EUR782,870**.

The table below provides a breakdown of the calculation of the 2016 variable compensation according to the method and criteria defined by the board of directors, the rate of achievement of which was recorded by the board of directors on February 15, 2017:

					Actual payout	
			On- Target payment	**Achievement rate-base 100**	**In % of base salary**	**Amount (in €)**
60%		**Economic Criteria**				
40%		**Group Financial indicators**				
	13.33%	Organic Growth of the Group	13.33%	155%	20.70%	125,033
	13.33%	Adjusted EBITA	13.33%	200%	26.70%	161,333
	13.33%	Group cash conversion rate	13.33%	200%	26.70%	161,333
20%		**Company program priorities**				
	6.67%	Transcactional Sales growth	6.67%	135%	9%	54,450
	6.67%	Field Services (without PA) Sales growth	6.67%	0%	0%	0
	6.67%	Systems Gross Margin (Projects & Equipments)	6.67%	0%	0%	0
20%		**Non-economic Criteria**				
	10%	Customer satisfaction	10%	64%	6.40%	38,720
	10%	Planet & Society Barometer	10%	200%	20%	121,000
20%		**Individual assessment by the board**				
	20%	Individual goals determined by the board based on the company's strategic plan	20%	100%	20%	121 000
100%	**TOTAL**		**100%**	**129.40%**	**129.40%**	**782,870**

As a reminder, the variable compensation may range from 0% to 200% of the fixed compensation, where 0% corresponds to the minimum target achievement, short of which the corresponding portion of the variable compensation is zero; 100% corresponds to the achievement of the targets set; and 200% corresponds to the cap allocated in the event that the targets are surpassed. The progression between these two limits is linear.

Comment regarding the achievement rate of 2016 objectives

The achievement rate per objective is discussed in the section on Mr. Tricoire's compensation pages 165-166.

The individual objectives assigned by the board of directors to Mr. Babeau for 2016 included specific contributions in relation to the following projects:

- monetisation of the digital transition;
- the implementation of a specific HR programme.

The other objectives will not be disclosed at this stage, as it may harm the interest of the company.

- **Multiplier**

For the reasons explained page 166 above regarding Mr. Tricoire, the application of the multiplier is without impact on Mr. Babeau's compensation and the mechanism is not maintained.

B. Long Term Equity Benefits

a) Granted in 2016: performance shares subject to performance conditions reported in accordance with AFEP/MEDEF recommendation

As part of the long-term incentive plan granted to the executives for 2016, Mr. Babeau had been granted 26,000 performance shares, the performance criteria of which are detailed below:

Plan No. 25	Weight	Date or performance period
Adjusted EBITA 2016-2018	40%	2016-2018
Group Cash conversion rate	25%	2016-2018
Planet & Society Barometer at 31/12/2018	20%	31/12/2018
TSR objective(1)	15%	2016-2018
TOTAL	**100%**	
Number of shares granted: 7,800 shares (plan 25)		
Date of delivery(2): March 27, 2019 Date of availability(2): March 27, 2021		

(1) Comparison panel: ABB, Legrand, Schneider Electric, Siemens in Europe; Eaton, Emerson, Honeywwell, Johnson Control, Rockwell Automation in the USA; Fuji Electric, Mitsubishi Electric, Yokogawa in Asia (see Registration Document 2015, p. 304).
(2) Plan subject to a 3-year vesting period followed by a 2-year holding period.

Plan No. 26	Weight	Date or performance period
Adjusted EBITA 2016-2018	40%	2016-2018
Group Cash conversion rate	25%	2016-2018
Planet & Society Barometer at 31/12/2018	20%	31/12/2018
TSR objective(1)	15%	2016-2018
TOTAL	**100%**	
Number of shares granted: 18,200 shares (plan 26)		
Date of delivery and availability(2): March 27, 2020		

(1) Comparison panel: ABB, Legrand, Schneider Electric, Siemens in Europe; Eaton, Emerson, Honeywwell, Johnson Control, Rockwell Automation in the USA; Fuji Electric, Mitsubishi Electric, Yokogawa in Asia (see Registration Document 2015, p. 304).
(2) Plan subject to a 4-year vesting period.

The targets, bonds and formula are detailed in chapter 8.1 *(resolutions 5 and 6, pages 323 and 326).*

According to the method recommended by IFRS 2 standards, the accounting valuation of these potential allocations that are still subject to performance conditions is the following:

	Number of shares	IFRS value per share	Global hypothetical valuation (in euros)
Plan No. 25	7,800	42.3	329,940
Plan No. 26	18,200	43.2	786,240
			1,116,180

The portion of shares allocated to Mr. Babeau represents 0.8% of the number of performance shares granted by the board of directors and 0.004% of capital at the date of this allocation.

As these shares are subject to the achievement of the performance targets at the end of a multi-year period, there are no grounds to presume either the number of shares that ultimately vest, which will depend on the Group's performance, or the corresponding value, which will depend on the stock price evolution. In any circumstances and whatever his performance, Mr. Babeau cannot receive more than the number of shares granted to him.

b) Realized in 2016: Performance shares deemed acquired for which the level of achievement of the vesting criteria is determined on December 31, 2016

Reading note: The performance shares realized in 2016 presented below have been granted in the past. They shall not be added to the shares granted in 2016 presented above.

At its February 15, 2017 meeting, on a proposal from the Human Resources and CSR committee and after obtaining the opinion of the Governance and remunerations committee, the board of directors determined the achievement rate of performance conditions of Plans nos. 21 and 22 granted in 2015, the performance period of which closed on December 31, 2016. Mr. Babeau had potentially been granted 7,800 shares under Plan no. 21 and 18,200 shares under Plan no. 22.

The rate of target achievement was set on by the board at **71%**, *i.e.*, a discount of **29%** in relation to the number of shares originally allocated.

In line with the principle of variability described above, and subject to the other conditions of the plans, particularly with regard to affiliation with the Group and keeping of the shares, Mr. Babeau is therefore entitled to receive 5,538 Schneider Electric shares under Plan no. 21 and 12,922 Schneider Electric shares under Plan no. 22, representing 0.9% of the Plans.

These shares are valued at the stock price as of 2016 year-end, *i.e.* EUR66.11.

Plan No. 21	Weight	Achievement rate
Adjusted EBITA 2015-2016	70%	80%
Planet & Society Barometer at 31/12/2016	15%	100%
ROCE 2015-2016	15%	0%
TOTAL	**100%**	**71%**
Number of shares delivered: 7,800 shares* 71%:		5,538 shares
Date of delivery(1): March 27, 2017 Date of availability(1): March 27, 2019		

(1) Plan subject to a 2-year vesting period followed by a 2-year holding period.

Plan No. 22	Weight	Achievement rate
Adjusted EBITA 2015-2016	70%	80%
Planet & Society Barometer at 31/12/2016	15%	100%
ROCE 2015-2016	15%	0%
TOTAL	**100%**	**71%**
Number of shares delivered: 18,200 shares* 71%:		12,922 Shares
Date of delivery and availability(1): March 27, 2019		

(1) Plan subject to a 4-year vesting period.

The performances have been commented in page 168 above.

c) Exercise of stock options or share purchase options during the financial year

No stock options or share purchase options have been exercised by Mr. Babeau during the 2016 financial year.

d) Stock options or share purchase options granted during the financial year

No stock options or share purchase options were granted during the 2016 financial year.

C. Additional cash benefits for pension

At its February 18, 2015 meeting, the board of directors decided in the interest of savings and transparency to withdraw the entitlement to a defined benefit pension scheme for corporate officers granted to French executives ("Article 39") and to substitute with an additional payment in order to take into account that they must take personal responsibility for building their pensions.

To ensure consistency and comparability with other French or international companies, these payments are not considered as components of compensation but as cash benefits.

As part of the complementary payment for 2016 in order to build up his pension and in execution of the decision of the board of directors of February 16, 2016, Mr. Babeau was entitled to:

- a fixed amount of **EUR136,400**;
- a variable amount of **EUR176,502**, calculated by applying to the fixed compensation above the percentage of target achievement determined for the calculation of his variable compensation (EUR136,400* 100%* 129,40%).

Based on calculations completed by a consultant-actuary appointed for that purpose, continuing the "Article 39" pension scheme would have represented a cost of EUR582,511 for the Group for the 2016 financial year. The adoption of a new scheme has therefore enabled the Group to save EUR269,609 for 2016.

It should be noted that Mr. Babeau committed to depositing this additional payment, after taxes, into investment vehicles dedicated to the supplementary financing of his pension.

D. Other benefits of any type

a) Company car:

Mr. Babeau's travel and business expenses are covered by the Group. Mr. Babeau may use the cars made available to Group Senior Management with or without chauffeur services. In addition, he has the benefit of the use of a company car.

b) Life & disability schemes

Mr. Babeau is 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 and death available to Group Senior Management under French contract, as well as Group personal accident insurance policies in case of disability or death resulting from an accident. He is 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 his term of office or after the age of 55 in the event of departure from the company following redundancy or a disability.

The benefit of this supplementary coverage and contingency compensation under individual Group accident insurance policies are subject to the 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.

c) Other entitlements

- Mr. Babeau was eligible for profit-sharing for an amount of EUR 7,246 in 2016.
- Mr. Babeau was eligible for the employer matching contribution paid to subscribers to the capital increase reserved for employees, for an amount of EUR 700 in 2016.

E. Other benefits included in the status of the Deputy CEO

Corporate Officers	Work contract	Top-hat pension benefits	Payments or benefits may be due in the event of termination or change of assignment	Payments in relation to a non-compete agreement
Emmanuel BABEAU Deputy CEO	NO	NO	YES	YES

Agreements related to termination or change of assignment

Due to the change of governance, the board of directors approved the status of Emmanuel Babeau. This status was aligned, with certain limitations/reservations related to his status as an employee of Schneider Electric Industries SAS, with that of Jean-Pascal Tricoire. The Shareholders' Meeting of May 6, 2014 approved Mr. Babeau's new status. However, Mr. Babeau having been brought to resign from his employment contract with Schneider Electric Industries SAS, the board of directors of February 18, 2015 renewed Mr. Babeau's status, subject to adaptations linked to the removal of his employment contract and the supplementary pension schemes defined contributions "article 83" and defined benefits "article 39".

Mr. Babeau's status is therefore fully aligned to that of Mr. Tricoire presented above pages 169-170 and reproduced below for convenience.

a) Non-compete agreement

Mr. Babeau is bound by a non-compete agreement in case of resignation from the Group. The 1-year agreement calls for a compensation to be paid at 60% of annual fixed and target variable parts (*i.e.* including complementary payments) for Mr. Babeau.

In line with the recommendations of the AFEP/MEDEF Code, at its meeting of October 24, 2013 the board decided that, for any resignation other than voluntary, it will have to decide on the application or not of the non-compete clause. However, with regard to voluntary resignations, the board decided that a release from the non-compete obligation may be given through an agreement with the person under such obligation. However, this exception is not applicable if such person leaves while the performance conditions required for Involuntary Severance Pay (see below) have not been met, and does not or will not have rights to or is not or will not be eligible to receive both non-compete compensation and pension payments. In the latter case, the board would decide on whether to implement the non-compete clause.

b) Involuntary Severance Pay

Mr. Babeau is entitled to Involuntary Severance Pay, at a maximum equal to twice the average of his effective annual compensation (fixed and variable part) (*i.e.* including compensation and complementary payments) for the last three years (in cash to the exclusion of all other components), authorized by the board (hereafter, "Maximum Amount"), taking into account the non-compete compensation and subject to the attainment of performance conditions.

The right to Involuntary Severance Pay shall be granted in the following circumstances:

(i) dismissal, non-renewal or resignation as Deputy CEO in the six months following a material change in Schneider Electric's shareholder structure that could change the membership of the board of directors;

(ii) dismissal, non-renewal or resignation as Deputy CEO in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in shareholder structure as described above;

(iii) dismissal, non-renewal or requested resignation as 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 his resignation (including the financial years during which he served on the management board).

Involuntary Severance Pay depends on the average rate of achievement of the Group's performance criteria (to be distinguished from individual performance objectives) used to determine the performance incentive for the last 3 financial years preceding the date of the Board meeting at which the decision is made.

If the Group criteria are:

- less than 66%; no compensation shall be awarded;
- 66%; he shall receive 75% of the Maximum Amount;
- at least 100%; he shall receive 100% of the Maximum Amount;
- between 66% and 100%; he shall receive compensation calculated on a linear basis at a rate of 75% to 100% of the Maximum Amount.

In any case, involuntary Severance Pay will not be paid if a resignation is the result of serious or wrongful misconduct.

c) Retention of stock options, stock grants and performance shares

Mr. Babeau shall retain, subject to performance condition, the benefit of his stock options, stock grants and performance shares granted to him or that will be granted to him in the event of Involuntary Severance during the vesting period or prior to having exercised said options. Accordingly, it is specified that the foregoing will be applicable only provided that:

- average rate of achievement of Group performance criteria that determine the performance incentive calculated for the last 3 financial years at the time of departure, is at least two-thirds of the objective and
- resignation is not the result of wrongful or gross misconduct.

7.4.2 Principles and criteria governing the compensation that may be granted to the corporate officers in 2017

In the second half of 2016, the Governance and remuneration Committee conducted a detailed study of the methodology adopted by the board to determine the compensation granted to its corporate officers in the past 10 years (see Registration document 2015, p. 151 and previous years) and issued a report in the form of a White Paper which was circulated to the board members.

The scope and findings of this study are presented in the report of the board of directors to the combined Ordinary and Extraordinary Shareholders' Meeting, reproduced in chapter 8.1 of the Registration Document 2016 pages 328 and subs.

Based on the conclusions of this study and on the recommendation of the Governance and remuneration Committee, 75% of whose members are independent in the meaning of the AFEP/MEDEF Code, Schneider Electric's board of directors decided at its meeting of February 15, 2017, to uphold both the structure and the amounts of compensation and benefits of any type (the "Package") granted or allocated to the corporate officers in 2016, adapting the assessment criteria to the Group's strategic priorities for 2017 and to the investors' observations.

As a consequence, the proposed compensation policy of the corporate officers for 2017 is designed with the same principles as those retained in 2016 and detailed in section 7.1.2 above.

The proposed criteria and the overview of their monetary application to the compensation of the corporate officers are detailed below, after a summary table of the changes made in 2016 and 2017.

7.4.2.1 Changes undertaken from 2015 to 2017

	2015	2016	2017
Variable cash compensation	**45%** (Deputy-CEO) to **50%** (CEO) economic criteria	**60%** economic criteria	**75%** economic criteria
	25% individual objectives (undisclosed)	**20%** individual objectives (partially disclosed *ex-post*)	**20%** individual objectives (to be partially disclosed *ex-post*)
	-	Multiplier of 0.8 to 1.3	No multiplier
Long term equity benefits (performance shares)	Performance assessed over **2 years**	Performance assessed over **3 years**	Performance assessed over 3 years Additional holding period of **1 year** for the plan reserved to Corporate Officers
	No external criteria	Introduction of an **external** criteria (Relative TSR)	Keeping with the **external** criteria (Relative TSR)

7.4.2.2 Mr. Jean-Pascal Tricoire, Chairman and CEO

A. Overview of the implementation of the 2017 proposed policy to the Chairman and CEO Mr. Jean-Pascal Tricoire

The tables below sum up the compensation elements and benefits of all kinds that may be granted to Mr. Jean-Pascal Tricoire for the 2017 financial year; each component is detailed in the sections below.

Table 1: Reported compensation and benefits (presented in accordance with AFEP/MEDEF recommendation)

Jean-Pascal TRICOIRE	Amounts attributable for fiscal year 2017	Amounts due for fiscal year 2016	Component weight
CEO and Chairman ***(in euros)***			
A- Cash compensation			
Base salary	950,000	950,000	*17%*
Annual incentive (at target)	1,235,000(1)	1,598,090	*28%*
Attendance fees	0	0	
Sub total (A) (cash compensation)	**2,185,000**	**2,548,090**	
B- Benefits in kind			
Valuation of the performance shares granted in the financial year 2017	[60,000 shares](2)	2,575,800(3)	*46%*
Fringe benefit (car)	13,408	13,408	
Sub total (B) (benefit in kind)	**13,408 + [60,000 shares]**	**2,589,208**	
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**2,198,408 + [60,000 SHARES]**	**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) (at target)	236,600(4)	306,160	
Sub total (C) (pension cash benefit)	**418,600**	**488,160**	**9%**
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**2,617,008 + [60,000 SHARES]**	**5,625,458**	***100%***

(1) Target amount, i.e. 130% of the fixed component.
(2) Since the allocation of these shares is entirely dependent on attaining Group performance criteria it is neither a compensation actually received during the fiscal year nor a definitive compensation in principle or in amount. The allocation of the shares is valued according to the method prescribed by IFRS 2. This valuation will only be available when the plan is granted by the board of directors in March 2017, and will cover 18,000 shares granted under Plan 28 and 42.00 shares under Plan 29).
*(3) Since the benefit of these shares is subject to the achievement of performance conditions, this is neither a compensation actually received during the fiscal year nor certain compensation in principle or amount. Their allocation is valued according to the method prescribed by IFRS 2:€18,000 shares allocated under Plan 25 and 42,000 shares under Plan 26, i.e. 8,000 shares * €42.3 + 42,000 shares * €43.2 = €2,575,800.*
(4) Target amount, i.e.130% of the fixed component.

Table 2: Realized compensation and benefits (presented in accordance with US standards)

The table below shows the actual compensation of the Chairman and CEO. Among the benefits of all types, the performance shares presented in this format are those for which the rate of achievement has been measured and set. Where required, they are valued at the price on the last day of the performance period (in this case, the price at December 30, 2016).

Jean-Pascal TRICOIRE	Amounts attributable for fiscal year 2017	Amounts due for fiscal year 2016	Component weight
CEO and Chairman ***(in euros)***			
A- Cash compensation			
Base salary	950,000	950,000	*16%*
Annual incentive (at target)	1,235,000[1]	1,598,090	*28%*
Attendance fees	0	0	
Sub total (A) (cash compensation)	**2,185,000**	**2,548,090**	
B- Benefits in kind			
Valuation of the performance shares realised in the financial year 2017	N/A[2]	2,816,286[3]	*48%*
Fringe benefit (car)	13,408	13,408	
Sub total (B) (benefit in kind)	**13,408**	**2,829,694**	
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**2,198,408**	**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) (at target)	236,600[4]	306,160	
Sub total (C) (pension cash benefit)	**418,600**	**488,160**	***8%***
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**2,617,008**	**5,865,944**	***100%***

(1) Target amount, i.e. 130% of base salary.
(2) Following the extension of the performance period of 2 to 3 years in 2016, there are no performance conditions to be recognized in 2017 and the line devoted to performance shares realized in 2017 is not applicable.
*(3) Valuation of the shares of Plans No. 21 and 22 granted in 2015 and whose performance measurement for the fiscal years 2015-2016 resulted in a 29% discount on the number initially granted. These shares are valued at the price recorded at the end of 2016 of €66.11, that is, 60,000 shares * achievement rate 71% * €66.11 = €2,816,286).*
(4) Target amount, i.e. 130% of base salary.

B. Allocation criteria for cash compensation

a) Base salary

Mr. Tricoire shall be paid a fixed compensation of an amount of **EUR950,000**, which remained unchanged since he assumed his duties as Chairman and CEO in 2013.

b) Short-term annual incentive in cash

The target variable compensation, which has also remained unchanged since 2015, has been set at **130% of the fixed compensation** – *i.e.*, EUR1,235,000 – for a 100% rate of target achievement. The total variable compensation **cannot exceed 260%** of the fixed compensation. Hence it may range from 0% to 260%, where 0% corresponds to the minimum target achievement, short of which the corresponding portion of the variable compensation is zero, and 260% corresponds to the cap allocated in the event that the targets are surpassed. The progression of the amount between these 2 limits is linear.

The table below details the various performance criteria and their weighting:

		Weight of the component
75%	**Economic Criteria**	
60%	**Group**	
	Organic Growth of the Group	30%
	Adjusted EBITA	20%
	Group cash conversion rate	10%
15%	**Company program priorities**	
	Field Services (without process automation) Sales growth	5%
	Systems Gross Margin (Projects & Equipment)	5%
	Digital index*	5%
5%	**Non-economic Criteria**	
	Planet & 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%**

* *The precise nature of this criteria is not disclosed to protect business confidentiality.*

For any target that would have been disclosed to the shareholders on one of these criteria, the achievement criterion shall be consistent with the disclosed target.

c) Attendance fees

Mr. Tricoire has waived the attendance fees to which he would be entitled in his capacity of Chairman of the board of directors.

C. Criteria for allocating benefits of any type

a) Long-term incentive (Performance shares)

In order to align the interests of the Group's executives with those of the shareholders, the board of directors is allocating performance shares to more than 2,000 beneficiaries who hold positions as Group executives. These shares are subject to a set of performance criteria that are measured over the long term and combine financial indicators (65%-70%), return on investment (15%) and sustainable development (15%-20%).

For corporate officers and other members of the Executive Committee, the allocation of shares is fully subject to the achievement of these performance conditions, in such a way that the performance shares represent about half of the package that is allocated to them.

These performance shares are vested at the end of a performance period that may be followed by a holding period for the corporate officers.

In accordance with the policies set out above, the board of directors, in its February 15, 2017 meeting, adopted the policy of allocating performance shares as part of the long-term profit-sharing plan for 2017 that will be implemented by the board of directors in March 2017.

In keeping with the previous plans, the board adopted the policy of allocating to its Chairman and CEO, Jean-Pascal Tricoire, **18,000 performance shares** as part of Plan no. 28, and **42,000 performance shares** as part of Plan no. 29. 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;
- the number of shares allocated to other Group executives who are eligible for the same multi-year profit-sharing plan: for 2017, the number of shares that may be allocated to Mr. Tricoire in accordance with Plan nos. 28 and 29 would therefore make up 2.4% of the total of the aforementioned plans; and

- the resulting cost for the company.

In order to strengthen the alignment of executive compensation with the shareholders' long-term fundamental interests, the final allocation of the performance shares is determined by the achievement of the assessed targets over a 3-year period. The shares in Plan no. 28, which are granted only to the corporate officers, are also subject to a 1-year holding period on top of the 3-year vesting period.

These targets are:

- 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 (Total Shareholder Return) target linked to Schneider Electric's ranking in a panel of 12 companies by end of the acquisition period (same panel as in 2016);
- for 20%, a yearly level of achievement of the Planet & Society Barometer over the period 2017/2019.

The calculation formula and the target values of each of these objectives are set by the board based on the forecasts disclosed to the market and shall be detailed in the board's report at the Shareholders' Meeting.

According to the methodology prescribed by the AFEP/MEDEF Code (see **Table 1** above), 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. The total value will be known after the board of directors' meeting of March 24, 2017 and 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.

In order to facilitate the analyses, the benefits of all types 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 **Table 2** above). 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 line dedicated to performance shares deemed vested in 2017 is therefore not applicable.

b) Additional benefits as part of the build-up of a pension

The board of directors upheld the principles and amounts as defined in its decision of February 18, 2015, to determine additional payments issued in order to take into account the fact that Mr. Tricoire must take personal responsibility for building up his pension:

- a fixed amount of **EUR182,000**;
- a variable target amount of **EUR236,600** calculated by applying to the fixed compensation above the achievement percentage of targets assigned to him as determined for the calculation of his variable compensation.

The withdrawal of the "Article 39" pension plan and the implementation of these complementary payments cut by two-thirds the Group's total cost for pensions of Corporate Officers: this cost dropped from EUR48 million to EUR15 million, including the taxes and ancillary benefits in force when the decision was taken.

It should be noted that the Corporate Officers committed to depositing this additional payment, after taxes, into investment vehicles dedicated to financing their pensions.

c) Other benefits of any type allocated to Mr. Tricoire

- Mr. Tricoire is eligible to the employer matching contribution paid to subscribers to the capital increase reserved for employees. For information, this amount was EUR1,404 in 2016.
- Mr. Tricoire is eligible to the profit sharing. For information, this amount was EUR8,388 in 2016.
- Mr. Tricoire is eligible to the employer matching contribution paid to subscribers to the collective pension fund (PERCO) for the retirement of workers in France. For information, this amount was EUR800 in 2016.
- Mr. Tricoire's travel and business expenses are covered by the Group. Mr. Tricoire may use the cars made available to Group Senior Management with or without chauffeur services. In addition, he has been provided with a company car. He is not eligible to be reimbursed for other costs.

D. Other components of the status of the CEO (already approved by the shareholders as part of the regulated agreements)

The benefits described above were granted to Mr. Tricoire when he was appointed Chairman and CEO at the end of the April 25, 2013 Shareholders' Meeting. As his term is up for renewal at the next Shareholders' Meeting on April 25, 2017, the components of his status will be subject to a new regulatory agreement the terms of which shall be set by the board of directors post the renewal of his term and subject to approval by the Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2017. In line with the policy of renewing the remuneration principles that were applicable in 2016, the board of directors plans to substantially reiterate the components below in the new status of the Chairman and CEO.

a) Involuntary termination benefits

Mr. Tricoire is eligible to involuntary termination benefits in the event of a change of control or strategy.

Involuntary termination benefits depend on the average rate of achievement of the Group's targets (as separate from individual performance objectives) used to determine the performance incentive for the last three financial years preceding the date of the Board meeting at which the decision is made.

Involuntary termination benefits shall not be due in the event that Mr. Tricoire is terminated as a result of serious or gross misconduct.

b) Non-compete benefit

In the event of the termination of the Chairman and CEO and aside from the case of voluntary resignation described below, the board of directors shall decide on the enforcement of the previously established non-compete agreement and, consequently, on the allocation to Mr. Tricoire of a non-compete benefit for a 1-year term, capped at 60% of the average of his gross compensation (monthly average of the total gross cash compensation, *i.e.*, including additional payments, both fixed and target variable) during the last twelve months of employment.

In the event of resignation on his initiative (excluding involuntary termination), Mr. Tricoire is bound by a non-compete obligation, and his entitlement to compensation is subject to the same performance conditions as those to which the payment of the involuntary termination benefit is subject, and to the additional condition that Mr. Tricoire is not or will not be entitled to or in a position to combine the non-compete benefit with a retirement allowance.

In accordance with the AFEP/MEDEF Code, the total maximum amount of the involuntary termination benefits and the non-compete compensation, where necessary, is capped at double the average of the actual fixed and variable cash compensation of the last 3 years (*i.e.*, including additional annual payments) that is authorized by the board of directors.

c) Right to retain free and performance shares and stock options

In the event of an involuntary termination during the holding or vesting period of the shares or before the exercise of options, Mr. Tricoire may hold on to the free and performance shares and stock options for which he may have been eligible, subject to two conditions: (i) the average of the rate of achievement of the Group's targets (as separate from individual targets), which determine Mr. Tricoire's variable compensation for the last three financial years before his departure, is not less than two-thirds of the target, and (ii) Mr. Tricoire is not terminated as a result of serious or gross misconduct.

d) Medical insurance and welfare plan

As a corporate officer, Mr. Tricoire is 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), Mr. Tricoire 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.

7.4.2.3 Mr. Emmanuel Babeau, Deputy CEO

A. Overview of the implementation of the 2017 proposed policy to the Deputy CEO Mr. Emmanuel Babeau

The tables below sum up the compensation elements and benefits of all kinds that may be granted to Mr. Emmanuel Babeau for the 2017 financial year; each component is detailed in the sections below.

Because the criteria and methods for determining the Package are identical to those that apply to Mr. Tricoire and are discussed in section 7.4.2.2 above, only the numerical terms that differ will be itemized.

Table 1: Reported compensation and benefits (presented in accordance with AFEP/MEDEF recommendation)

Emmanuel BABEAU	Amounts attributable for fiscal year 2017	Amounts due for fiscal year 2016	Component weight
Deputy CEO ***(in euros)***			
A- Cash compensation			
Base salary	605,000	605,000	*21%*
Annual incentive (at target)	605,000[(1)]	782,870	*28%*
Attendance fees	-	-	
Sub total (A) (cash compensation)	**1,210,000**	**1,387,870**	
B- Benefits in kind			
Valuation of the performance shares granted in the financial year 2017	[26,000 shares][(2)]	1,116,180[(3)]	*40%*
Fringe benefit (car)	13,197	13,197	
Sub total (B) (benefit in kind)	**13,197 + [26,000 shares]**	**1,129,377**	
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**1,223,197 + [26,000 SHARES]**	**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) (at target)	136,400[(4)]	176,502	
Sub total (C) (pension cash benefit)	**272,800**	**312,902**	***11%***
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**1,495,997 + [26000 SHARES]**	**2,830,149**	***100%***

(1) Target amount, i.e.100% of the base salary.
(2) Since the grant of these shares is entirely dependent on attaining Group performance criteria it is neither a compensation actually received during the fiscal year nor a definitive compensation in principle or in amount. The grant of the shares will be valued according to the method prescribed by IFRS 2. This valuation will only be available when the plan is granted by the board of directors in March 2017, and will cover 7,800 shares granted under Plan 28 and 18,200 shares under Plan 29).
*(3) Since the benefit of these shares is subject to the achievement of performance conditions, this is neither a compensation actually received during the fiscal year nor certain compensation in principle or amount. Their allocation is valued according to the method prescribed by IFRS 2: 18,000 shares granted under Plan 25 and 42,000 shares under Plan 26, i.e. 7,800 shares *42.3€ + 18,200 shares * 43.2€ = 1,116,180 €.*
(4) Target amount, i.e. 100% of the base salary.

Table 2: Realized compensation and benefits (presented in accordance with US standards)

Emmanuel BABEAU	Amounts attributable for fiscal year 2017	Amounts due for fiscal year2016	Component weight
Deputy CEO *(in euros)*			
A- Cash compensation			
Base salary	605,000	605,000	*21%*
Annual incentive (at target)	605,000(1)	782,870	*26%*
Attendance fees	-	-	
Sub total (A) (cash compensation)	**1,210,000**	**1,387,870**	
B- Benefits in kind			
Valuation of the performance shares realized in the financial year 2017	N/A(2)	1,220,391(3)	*41%*
Fringe benefit (car)	13,197	13,197	
Sub total (B) (benefit in kind)	**0**	**1,233,588**	
TOTAL (A) + (B) (PACKAGE WITHOUT PENSION)	**1,223,197**	**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) (at target)	136,400(4)	176,502	
Sub total (C) (pension cash benefit)	**272,800**	**312,902**	***11%***
TOTAL (A) + (B) + (C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**1,495,997**	**2,934,359**	***100%***

(1) Target amount, i.e. 100% of the base salary.
(2) Following the extension of the performance period of 2 to 3 years in 2016, there are no performance conditions to be recognized in 2017 and the line devoted to performance shares realised in 2017 is not applicable.
*(3) Valuation of the shares of Plans No. 21 and 22 granted in 2015 and whose performance measurement for the fiscal years 2015-2016 resulted in a 29% discount on the number initially granted. These shares are valued at the price recorded at the end of 2016 (€ 66.11), i.e. 26,000 shares * achievement rate 71% * € 66.11 = 1.220.391€).*
(4) Target amount, i.e. 100% of the base salary.

B. Allocation criteria for cash compensation

a) Fixed compensation in cash

Mr. Babeau shall be paid a fixed compensation of an amount of **EUR605,000**, which is identical to what he was paid in 2016.

b) Short-term annual incentive in cash

The target variable compensation, which has also remained unchanged since 2014, has been set at **100% of the fixed compensation** – *i.e.*, EUR605,000 – for a 100% rate of target achievement. The target variable compensation may **not exceed 200%** of the fixed compensation. Hence it may range from 0% to 200%, where 0% corresponds to the minimum target achievement, short of which the corresponding portion of the variable compensation is zero, and 200% corresponds to the cap allocated in the event that the targets are surpassed. The progression of the amount between these 2 limits is linear.

The performance measure criteria for Mr. Babeau are the same as the ones that apply to Mr. Tricoire (cf. p.181). It should be stressed that the individual targets set by the board of directors in pursuance of the Strategic Plan are specific to each corporate officer.

C. Criteria for allocating benefits of any type

a) Long-term incentive (Performance shares)

As part of the allocation of Plan nos. 28 and 29, the board of directors, in its February 15, 2017 meeting, adopted the policy of allocating to its Deputy CEO, Emmanuel Babeau, **7,800 performance shares** as part of the plan whose performance is measured over three years (2016–2018), and **18,200 performance shares** under Plan no. 29.

The shares in Plan no. 28, which are granted only to the corporate officers, are also subject to a 1-year holding period on top of the 3-year vesting period.

These plans are identical to those for which Mr. Tricoire is eligible, (cf. p.181-182).

In accordance with the methodology recommended by the AFEP/MEDEF Code (reported in **Table 1** above) and the IFRS 2 accounting standard, the valuation of the shares will be determined by expert-actuaries when the Plans are issued.

The effect of extending in 2016 the performance measure period from 2 to 3 years is that no plan is posted in **Table 2** above, which shows the plans whose rate of achievement of the performance conditions has been recorded.

b) Additional benefits as part of the build-up of a pension

The board of directors upheld the principles and amounts as defined in its decision of February 18, 2015, to determine additional payments issued in order to take into account the fact that Mr. Babeau must take personal responsibility for building up his pension:

- a fixed amount of **EUR136,400**;
- a variable amount of **EUR136,400**, calculated by applying to the fixed compensation above the achievement percentage of targets assigned to him as determined for the calculation of his variable compensation.

Like Mr. Tricoire, Mr. Babeau has committed to depositing this additional payment, after taxes, into investment vehicles dedicated to financing his pension.

c) Other benefits of any type allocated to Mr. Babeau

- Mr. Babeau is eligible for the profit sharing. For information, this amount was EUR7,246 in 2016.
- Mr. Babeau was eligible for the employer matching contribution paid to subscribers to the capital increase reserved for employees, in an amount of EUR700 in 2016.
- Mr. Babeau travel and business expenses are covered by the Group. Mr. Babeau may use the cars made available to Group Senior Management with or without chauffeur services. In addition, he has the benefit of the use of a company car.

D. Other components of the status of the Deputy CEO (already approved by the shareholders as part of the regulated agreements)

The benefits described below were granted to Mr. Babeau when he was appointed Deputy CEO at the end of the April 25, 2013, Shareholders' Meeting.

a) Involuntary termination benefits

Mr. Babeau is eligible to involuntary termination benefits in the event of a change of control or strategy. The principle, terms of payment and calculation methods are identical to those agreed to for Mr. Tricoire (cf. p.182).

b) Non-compete benefit

A non-compete agreement has been established with Mr. Babeau stipulating the payment of a benefit whose principles, terms of payment and calculation methods in case of dismissal are identical to those agreed to for Mr. Tricoire (cf. p.182-183).

c) Right to retain shares and stock options

Mr. Babeau is entitled to retain performance or free shares and stock options in the same manner and under the same conditions as Mr. Tricoire (cf. p.183).

d) Medical insurance and welfare plan

As a corporate officer, Mr. Babeau is eligible to the same rights and benefits regarding the medical insurance and welfare plan granted to Mr. Tricoire (cf. p.183).

7.5 Compensation of Group Senior Management excluding corporate officers

On December 31, 2016, Senior Management comprise of the Chairman and CEO, Deputy CEO and, the Executive Committee (15 members) which 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 – Information Systems – Strategy – Marketing – Global Human Resources – Technology – Global Solutions;
- Executive Vice-Presidents of Operations: North America Operations – China Operations – France Operations – Europe Operations;
- Executive Vice-Presidents of Activities: Buildings & IT – Industry – Energy.

Three Executive Committee members left the Group in 2016.

For the purpose of the presentation of the compensation in this section, the Group Senior Management excludes the Corporate Officers, who were presented separately in section 7.4 above in accordance with applicable law.

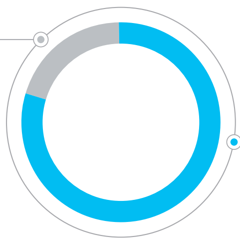
Compensation policy

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 taking into account 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: 70% vs. around 80% for the Corporate Officers.



Compensation paid in 2016

Gross compensation, including benefits in kind, paid by Group companies in 2016 to members of Group Senior Management other than Corporate Officers, but including members who left the Group, amounted to EUR19.3 million, including EUR5.2 million in variable compensation paid in the 2016 financial year. The objectives for Group results for the financial year in question were:

- Organic growth;
- Adjusted EBITA;
- Transactional sales growth;
- Field services sales growth (without Process automation);
- Systems gross Margin;
- Customer satisfaction;
- Planet & Society Barometer.

Long-term equity benefits

Performance shares were granted in 2016.

As of December 31, 2016 as part of the annual long-term incentive plan, Group Senior Management other than senior corporate officers held:

- 692,594 shares, of which 449,070 are conditional;
- 199 options;
- 100,680 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 2016 financial year

Transactions disclosed in application of article 621-18-2 of the French Monetary and Financial Code

The company has informed of the following transactions on Schneider Electric SE shares performed by corporate officers and by persons closely associated with them:

Date	Name	Transaction type	Unit price	Total transaction amount
09/29/2016	Tricoire	Disposal	€132.0080	€1,498,474.8[1]
10/03/2016	Tricoire	Disposal	€61.8929	€3,403,304.9
10/11/2016	Tricoire	Exercise of *stock options*	€38.1800	€6,569,861.7

(1) Disposal of shares in Schneider Electric's FCPE equivalent to 24,235 Schneider Electric's shares on the date of the transaction.

8. Regulated agreements and commitments

8.1 Agreements and commitments of the 2016 financial year not approved by the Annual Shareholders' Meeting

Compensation of the Vice-Chairman lead director

The board of directors at the meeting of December 15, 2016, decided that Mr. Léo Apotheker would receive compensation of EUR250,000 (excluding taxes and expenses reimbursed at actuals) payable semi-annually, for the performance of specific duties assigned to him as Vice-Chairman lead independent director in accordance with the articles of association and the board's internal regulations and procedures. The board of directors considered this compensation as appropriate given the assignments performed towards the senior managment and the shareholders.

8.2 Agreements and commitments of the 2016 financial year approved by the Annual Shareholders' Meeting

None.

8.3 Agreements and commitments signed during previous years and approved by the Annual Shareholders' Meeting (See chapter 8 pages 348-351)

Status of Jean-Pascal Tricoire and 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 and moved it to the level of Schneider Electric SE when he resigned from Schneider Electric Industries SAS to renounce the benefit of the top-hat pension scheme (Article 39);
- put an end, for the executive officers, to the benefit of the top-hat pension schemes (Article 39) implemented in 1995 and 2012, except for the life 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).

Pursuant to these decisions, Mr. Tricoire's and Mr. Babeau's status are strictly aligned. They are described in detail, in section 7.4 above.

Other Agreements

Compensation of the Vice-Chairman lead independent director

The board of directors, at its meeting of May 6, 2014, 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 lead independent director as described in the articles of association and the board's internal regulations.

This compensation, approved by the Annual Shareholders' Meeting of April 21, 2015, was paid on a half-yearly basis in 2 equal instalments.

Outsourcing of supplementary pension plans for former executives of the Group

As part of the outsourcing in 2012 of supplementary pension plans for executives applied in 1995 (closed plan), an agreement was signed with AXA which was approved by the Annual Shareholders' Meeting of April 25, 2013. Mr. Henri Lachmann is the only directly or indirectly concerned member of the board.

9. Internal control and risk management

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

9.1 Definition and objectives of internal control and risk management

Definition and objectives

The Group's internal control procedures are designed to ensure:

- compliance with laws and regulations;
- application of instructions and guidelines issued by Group Senior Management;
- the proper functioning of the company's internal processes, notably as concerns asset preservation;
- the reliability of financial reporting; and more generally, internal control helps the Group manage its businesses, run efficient operations and use its resources efficiently.

Internal control aims to prevent and manage risks related to the Group's business. These include accounting and financial risks, the risk of fraud, as well as operating, financial and compliance risks. However, no system of internal control is capable of providing absolute assurance that these risks will be managed completely.

Scope of this report

The system is designed to cover the Group, defined as the Schneider Electric SE parent company and the subsidiaries over which it exercises exclusive control.

Jointly controlled subsidiaries are subject to all of the controls described below, with the exception of self-assessments of the implementation of Key Internal Controls (see "Operating Units" below), page 194.

Internal control reference documents

The Group's internal control system complies with the legal obligations applicable to companies listed on the Paris stock exchange. It is consistent with the reference framework laid down by the *Autorité des Marchés Financiers* (French Financial Markets Authority – AMF) on internal control and risk management.

The Group's internal control process is a work in progress; procedures are adapted to reflect changes in the AMF recommendations and the business and regulatory environment, as well as in the Group's organization and operations.

Information used to prepare this report

This report was prepared using contributions from the Group's Internal Audit and Internal Control Departments, the Management Control and Accounting Departments, as well as the various participants in internal control. It was reviewed by the Audit committee.

9.2 Organization and management: Internal Control key participants

In 2016, 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 150.

Each manager is responsible for monitoring internal control in his or her area, at the different levels of the organization, as are all key internal control participants, in accordance with the tasks described below.

Senior Management

Senior Management is responsible for designing and leading the overall internal control system, with support from all key participants, in particular the Group Internal Audit and Internal Control Departments.

It also monitors the Group's performance, during quarterly reviews with the Operating Divisions and Global Functions. These quarterly reviews cover business trends, action plans, current results and forecasts for the quarters ahead.

Similar reviews are carried out at different levels of the Group prior to Senior Management's quarterly review.

Internal Audit Department

The Internal Audit Department reports to Senior Management. It had an average headcount of 20 people in 2016. 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 risk and control concerns identified by Senior Management, taking into account the results of past audits, the work performed by the statutory auditors and the results of Internal Control self-assessments returned by the units. When necessary, the audit plan is adjusted during the year to include special requests from Senior Management. The internal audit process is described in the Section "Control procedures" below.

After each internal audit, a report is issued setting out the auditors' findings and recommendations for the units or function audited. 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 report are subject to regular exchange with the group's auditors.

The head of the Group internal audit has a direct access to the President of the Audit Committee and is meeting him on a regular basis over the year.

Internal Controls Department

The Internal Controls 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 29 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;
- 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 procedure manual;
- account closing schedules and instructions.

The Management Control and Accounting unit monitors the reliability of data from the subsidiaries and conducts monthly reviews of the various units' primary operations and performance.

The Finance and Control – Legal Affairs Department oversees tax and legal affairs, to provide comprehensive management of these risks.

Within the Finance and Control – Legal Affairs Department, the Finance and Treasury Department is responsible for:

- centralized management of cash and 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" from page 39 to 47.

Operating Divisions and operating 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 Chief financial officer.

The Executive Vice-Presidents leading or supervising the Operating Divisions sit on the Executive Committee, which is chaired by the Chairman and CEO of the Group.

Within each division, the management team organizes control of operations, ensures that appropriate strategies are deployed to achieve objectives, and tracks unit performance.

A Management Committee led by the corporate Management Control and Accounting unit reviews the operations of the Operating Divisions on a monthly basis.

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

In addition to specific processes or bodies such as the Group Acquisitions Committee (see "Risk Factors – Acquisitions" page 40) 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 meets monthly, grouping all Divisional and Business Chief Technology Officers as well as key Corporate Technology Functions involved in Offer Creation & Research, to ensure cross-divisional coordination in setting the strategic direction for innovation. Additionally, there is a Technology Group Council that meets quarterly combining the Technology Council with the Line of Business leaders to ensure the alignment and dissemination of the innovation strategy and sharing of best practices.

The Human Resources Department is responsible for deploying and ensuring the application of procedures concerning employee development, occupational health and work safety. The department is also responsible for establishing guidelines on rewards and compensation, hiring, on boarding, amongst other Human Resources related guidelines.

The Purchasing Department within Supply Chain is responsible for establishing guidelines concerning purchasing organization and procedures; relationships between buyers and vendors; and procedures governing product quality, the level of service, and compliance with environmental standards and Group codes of conduct.

Global Functions also issue, adapt and distribute policies, target procedures and instructions to units and individuals assigned to handle their specific duties. Global Functions have correspondents who work with the Internal Control Department to establish and update the Key Internal Controls deployed across the Group.

9.3 Distributing information: benchmarks and guidelines

The main internal control benchmarks are available to all employees, including in the Group's employee portal. Global Functions send updates of these reference documents to the appropriate units and individuals through their networks of correspondents.

In some cases, dedicated e-mails are sent out or messages are posted on the employee portal to inform users about publications or updates.

Whenever possible, the distribution network leverages the managerial/functional organization to distribute standards and guidelines.

Principles of Responsibility

See “Ethics & Responsibility” chapter, page 69.

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 147). Such persons are prohibited from trading the Company’s securities at any time if they are in possession of price sensitive information which would have 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, 2016.

The Group’s accounting principles reflect the underlying assumptions and qualitative characteristics identified in the IFRS accounting framework: accrual accounting, business continuity, true and fair view, rule of substance over form, neutrality, completeness, comparability, relevance and intelligibility.

The Group statutory and management accounting standards manual explains how IFRS principles are applied within the Group, taking into account the specific characteristics of the Group’s activities.

The application of Group accounting principles and methods is mandatory for all Group units, for management reporting and statutory consolidation.

The Group statutory and management accounting standards manual and the IFRS principles are available on the Intranet.

Commitment limits and authorizations

Under current management practice, the Group has set commitment limits for Senior Management of Group companies and delegation and sub-delegation of powers within each company that makes up the Group.

As a result, product or service purchase and sale contracts may only be signed by, or with the authorization of, operations managers who have *ad hoc* authorizations granted by their managers.

Within this framework, business segment executives have the power to authorize the execution of purchase or sale contracts for products or services representing a maximum commitment of up to EUR10 million. They may also delegate to their employees powers to authorize smaller amounts as they consider appropriate.

In addition, all transactions which by their size or nature could affect the Group’s fundamental interests, must be authorized in advance by the board of directors, *i.e.* decisions relating to the acquisition or disposal of holdings or assets for amounts greater than EURO 250 million, to strategic partnerships and major changes in the strategy course, and to off-balance sheet commitments.

Statutory and management reporting principles

An integrated reporting and consolidation system applicable to all Group companies and their management units has been in place since January 1, 2006. Statutory and management reporting principles and support tools are available on the Group Intranet.

The subsidiaries record their transactions in accordance with Group standards. Data are then adjusted, where necessary, to produce the local statutory and tax accounts.

The reporting system includes consistency controls, a comparison of the opening and closing balance sheets and items required to analyze management results.

Key Internal Controls

A list of Key Internal Controls was drawn up in 2008 and is reviewed annually. They cover:

- the Control Environment (including the Responsibility and Ethics program, chart of authority, segregation of duties, business continuity plan, retention of records and business agents);
- operating processes (Purchasing, 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.

9.4 Risk identification and management

General risks at the Group level

The Internal Audit Department uses interviews to update the list of general risks at the Group level each year. In 2016, 96 of the Group's top managers were interviewed. In 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. 70% 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.

Local risks related to the company's business at the unit level

Local risks related to the company's business are managed first and foremost by the units in liaison with the Operating Divisions, based on Group guidelines (in particular via the Key Internal Controls). Each subsidiary is responsible for implementing procedures that provide an adequate level of internal control.

The divisions implement cross-functional action plans for risk factors related to the company's business identified as being recurrent in the units or as having a material impact at the Group level, as appropriate. The internal control system is adjusted to account for these risks.

The Group's insurance programs cover the remaining portion of transferable risks.

Risks related to Solutions

The Solutions Risk Management Department defines and implements principles and tools designed to manage 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.

In this respect and in close cooperation with the Risk and Insurance Department, it is directly involved in assessing the nature of such risk as well as defining adequate prevention and protection measures.

The Security Department publishes internally a table of "Country Risks" for use in security procedures that are mandatory for people travelling, expatriates and local employees. On request, it provides support to local teams for any security issues (site audit, expatriates or local employee security, security on assignments, *etc.*).

It provides daily coordination with the Group's worldwide partner in the field of medical and security assistance (International SOS & Controls Risks – start of contract in January 2011) as well as in the field of psychological support that is necessary to organize in some crisis context (Eutelmed – start of contract in April 2015).

It brings its methodology to develop emergency plans (evacuation plans, crisis management plans, business continuity plans, *etc.*) and coordinates the corporate crisis team (SEECC – Schneider Electric Emergency Coordination Center) each time that it is activated.

The Security Department is integrated in the "Fraud Committee" alongside the Internal Audit Department and the Legal Department and is directly involved in combating internal fraud (managing and carrying out internal investigations). The Security Department created a new entity responsible for investigations (internal and external fraud) within the Security Department itself and in charge of supporting internal investigators as well as defining methodology & procedures to conduct investigations properly (in accordance with the law and in order to be efficient in gather evidence effectively).

The Security Function also participates in crisis management, in particular in the management of the corporate crisis cell and in support of local entities (limiting the consequences of the occurrence of certain risks such as civil war, weather events, pandemics, attacks on people, terrorism, etc.). In addition, it has realized more than 20 Security Audits in 2015 (R&D centers, head-offices, sensitive plants, *etc*).

Management of Information Systems risks

A Global IT Security Department inside Information, Process and Organization Department (IPO) defines and implements specific security policies for information systems, ensuring basic computer hygiene, confidentiality, integrity, availability and accountability of all our information and technology assets. This department identifies critical processes and information to capture, secure and prioritize them. Their members have proved and certified security technical skills and they perform regularly audits. After each audit, a report is issued setting out findings and recommendations. All corrective actions are monitored.

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 1 of Chapter 1 and Section 3.2 of Chapter 2 (page 76).

9.5 Control procedures

In addition to the general missions already described, this section describes specific measures taken in 2016 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 2016 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 2016 campaign covered more than 90% of consolidated sales and made it possible to define improvement plans in the operating units, when necessary. The ultimate goal is that these evaluations should cover at least 90% of consolidated sales each year.

The self-assessments are conducted in the units by each process owner. Practices corresponding to the Key Internal Controls are described and the entity is either compliant or not compliant to a particular control. In 2016, based on the self-assessment, the level of compliance improved by around 5 points versus 2015.

If a particular unit is not compliant in any of the controls, an action plan is defined and implemented to achieve compliance. These action plans are listed in the self-assessment report.

The unit's financial manager conducts a critical review of the self-assessments by process, and certifies the quality of the overall results. The self-evaluation is then also certified by the person in charge of the unit.

The regional internal controllers carried out controls on site to assess the reliability of self-assessments and the efficiency of the remediation plans put in place as a result of the previous self-assessment.

Global Functions

In 2016, the Global Functions continued to set guidelines, issue instructions and provide support.

For example:

- The ethical risk matrix created in 2015 was deployed in 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 comprehensive update of the Global Travel Directive that enhances the rules to be compliant with and that reinforces requirements in terms of Travel Security. The Global Security Directive initially named "Internal Fraud Fighting" was also totally updated and is now renamed "Internal Fraud Investigation" with a focus on rules to be strictly applied by internal investigators. The purpose is to be as professional as we could be for this kind of potential sensitive actions, respectful of the laws, and to avoid creating any new potential risk for the company in performing investigations;
- The local deployment of PolicyTech in all territories continued. PolicyTech is a policy management tool provided by Navex Global, a US based software company. It is used to store in the same place all the company corporate governance (policies and directives concerning all domains) as well as local documents applicable to a territory only. This tool allows an easy finding of any existing rules the employees may need to find and is specifically designed to update & validate easily any piece of governance;
- The deployment of the Gifts & Hospitality policy and of the Business Agent policy continued, with a specific focus on the most exposed territories; creation of the Anti-Corruption policy;
- 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, page 69.

Internal Control Department

The Internal Controls Department continued to deploy the Key Internal Controls – training and requests for self-assessments – throughout the units, with the scope extended to cover new units.

New deficiencies were identified owing to additional Key Internal Controls, which gave rise to further action plans.

In 2016, certain Key Internal Controls that were identified in 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 regional internal control organization introduced in 2011 consists of 29 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 90 on-site inspection missions in 2016 to assess the level of internal control and the adequacy of action plans, issuing the necessary recommendations when needed.

Internal Audit Department

The Internal Audit Department contributes to the analysis and to strengthening the internal control system by:

- mapping general risks;
- verifying the effective application of Key Internal Controls during audit assignments;
- reviewing the audited unit's Internal Control self-assessment and related action plans.

The audit assignments go beyond the Key Internal Controls, and include an in-depth review of processes and their effectiveness.

Internal Audit also reviews newly acquired units to assess their level of integration into the Group, the level of internal control and the effectiveness of operational processes, as well as ensuring Group rules and guidelines are properly applied, and more generally compliance with the law.

A summary overview of the department's audits makes it possible to identify any emerging or recurring risks that require new risk management tools and methodologies or adjustments to existing resources.

In 2016, Internal Audit performed 42 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 & Ethic 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.

9.6 Internal control procedures governing the production and processing of consolidated and individual company accounting and financial information

In addition to:

- its regulatory tasks;
- its responsibility for overseeing the close of accounts across the Group;
- its audits of the Group's results with respect to set targets (see "Internal Control Organization and Management: Finance and Control – Legal Affairs Department").

The Management Control and Accounting unit is tasked with overseeing:

- the quality of reporting packages submitted monthly by subsidiaries;
- the results of programmed procedures;
- the integrity of the consolidation system database.

In addition, the Management Control and Accounting unit ensures that:

- given that the Group consolidated financial statements are finalized a few weeks after the annual and half-year balance sheet date, subsidiaries perform a hard close at May 31, and November 30, of each year so that most closing adjustments for the period can be calculated in advance;
- the scope of consolidation as well as the Group's interest and the type of control (exclusive control, joint control, significant influence, etc.) in each subsidiary, from which the consolidation method results are determined in cooperation with the Legal Affairs Department;
- the Management Control and Accounting unit issues instructions to the units on the closing process, including reporting deadlines, required data and any necessary adjustments;
- the Group's consolidated financial statements are analyzed in detail, to understand and check the main contributions by subsidiaries, as well as the type of transactions recorded;
- accounting classifications are verified;
- the preparation and approval of the statement of changes in equity and the cash flow statement are the key control points.

The internal controls used to confirm the existence, completeness and value of assets and liabilities are based on:

- each subsidiary's responsibility for implementing procedures providing an adequate level of internal control;
- defining levels of responsibility for authorizing and checking transactions;
- segregating tasks to help ensure that all transactions are justified;
- the integration of statutory and management reporting systems developed to guarantee the completeness of transaction data recorded in the accounts;
- all of the subsidiaries apply IFRS with regard to recognition principles, measurement and accounting methods, impairment and verification;
- the checks and analyses as described above performed by the Management Control and Accounting unit.

9.7 Report of the statutory auditors on the Chairman's report on internal control

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France

Statutory auditors' report, prepared in accordance with article L.225-235 of the French Commercial Code *(Code de commerce)*, on the report prepared by the Chairman of the board of directors of Schneider Electric S.E.

To the Shareholders,

In our capacity as statutory auditors of and in accordance with article L.225-235 of the French Commercial Code *(Code de commerce)*, we hereby report on the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial Code *(Code de commerce)* for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L.225-37 of the French Commercial Code *(Code de commerce)* relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by article L.225-37 of the French Commercial Code *(Code de commerce)*. It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial informatio

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with article L.225-37 of the French Commercial Code *(Code de commerce)*.

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Commercial Code*(Code de commerce)*.

Courbevoie and Paris-La Défense, March 15, 2017

The statutory auditors

French original signed by

MAZARS	**ERNST & YOUNG et Autres**
Loïc Wallaert	Jean-Yves Jégourel

10. Application of the AFEP/MEDEF corporate governance guidelines

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

Schneider Electric voluntarily refers to the AFEP/MEDEF corporate governance guidelines. However, as some of these guidelines may not correspond to Schneider Electric's specific situation, the Company has chosen not to implement the following recommendation:

Recommendation	Schneider Electric Practice
Non-compete agreement The board of directors shall include in the non-compete agreement, at the time of its conclusion, a provision that authorizes the board to waive its implementation upon departure of the member of the Senior management.	The non-compete agreement of the members of the Senior management provides for the board of directors to decide on the enforcement of the existing non-compete agreement upon departure of the Senior manager concerned, except in the event of resignation on his/her initiative (excluding involuntary termination). In such a case, the Senior manager is bound by a non-compete obligation and entitled to compensation subject to the same performance conditions as those applicable to the payment of the involuntary termination benefit, subject to the additional condition that the Senior manager is not or will not be entitled to or in a position to combine the non-compete compensation with a retirement allowance. The exception to the AFEP/MEDEF recommendation is justified by the fact that it is in the interest of the company to put forward the rule according to which the board will call the non-compete agreement into play. It appears that this rule may help prevent poaching attempts by competitors or to prevent a person who wants to resign, from directing his/her employment search towards competitors of Schneider Electric SE.

4 Business review

1. Trends in Schneider Electric's core markets

1.1 Industries and machine manufacturers

Market has rebounded during the last quarter of 2016 following a stabilization in Q3 after eight straight quarters of decline.

This improvement has been mainly driven by continuing recovery in China's capex and a rebound in raw material prices (Oil & metals).

Improvement in prices has led to:

- increasing income in Oil & mining-producing countries (supportive for all of our end-markets);
- increasing spending in opex, maintenance and sometimes brownfield capex in O&G upstream and Mining sector.

This backdrop has produced positive spillovers: sectors which export to China and supply equipment to O&G and Mining have revised upwards their own opex & capex plans.

China's recovery has supported the growth of trading partners (as East Asia), and the OEM (Original Equipment Manufacture) global market.

1.2 Non residential and residential buildings

Non residential buildings

Non residential market was mixed in 2016 with China being the bright spot.

In the US, market slowed-down in 2016. Manufacturing buildings declined as the chemical and transportation equipment sectors contracted after several years of very strong growth. Conversely, construction in commercial, retail and educational segments accelerated.

In Western Europe, non residential construction improved slightly from a low base. Manufacturing and office buildings continued to recover in 2016, whereas commercial segment recorded a positive growth, thereby ending the continuous decline since 2008. Institutional building segments expanded marginally, hampered by a decline in the healthcare segment. In 2016, non residential construction turned positive in Germany and France.

In China, non residential construction grew strongly, mainly thanks to public buildings. This segment was helped by greater government pressure to support growth and improved funding conditions at the local government level. Office and commercial buildings were flat, hampered by over-supply and the rapid development of e-commerce.

In India, the market continued to grow, helped by accommodative government policies and positive business climate.

In Brazil, 2016 was another year of contraction.

In the Middle-East, the market declined. In Saudi Arabia, lower revenues from the oil industry led to a drop in Government spending and liquidity shortage, with Public companies delaying payments to contractors.

Residential

Residential market growth accelerated in 2016, with varied positions among major regional blocks.

In the US, growth decelerated due to slowing demand in the single-family segment.

In Western Europe, growth gained momentum in 2016, driven by low interest rates that led to higher demand. France turned positive after three years of decline. Strong growth in Germany was driven by high job growth and ever lower unemployment rates. Growth accelerated slightly in Spain but slowed-down in the UK.

In China, residential construction recovered from beginning of 2016 after 2 consecutive years of decline. The recovery in property sector has been triggered by an accommodative monetary environment. Excess liquidity and easy credit led to a surge in residential sales. It has materially reduced inventory levels across most regions, except the North, which has pushed developers to increase housing starts.

1.3 Utilities and Infrastructures

Electrical Utilities

In Western Europe, utilities' capex growth was driven by renewable equipment.

In the US, utilities' capex growth slowed-down in Distribution as well as in Transmission.

In Emerging countries, volatility in economic conditions and commodity and energy prices led to delay some investment decisions. However, the situation has improved at year-end.

The global utility market is continuously foreseen to grow over the years, but considerable changes are already appearing as a consequence of COP21 and COP22, in the "3D" context of Decarbonization, Decentralization, and Digitization, with an ever increasing adoption of Renewable Energy. The majority of power generation investment has been redirected to renewable energy, involving traditional utility investors as well as private investors (IPP), and more recently Oil&Gas companies, and even down to community or consumer level through a prosumer household, smart district & building development. Energy Efficiency is also driving substantial investment, and having a negative impact of the power consumption growth trends.

In this context of energy transition, grid operator's mission is to ensure that the appropriate network reliability, stability & power quality is evolving towards new missions and the implementation of new technologies. Regulatory practices are being redefined to allow more software-based smart grid investment as opposed to conventional hardware investment.

Oil & Gas

The oil barrel price bottomed below 30 US dollars (Brent) in January 2016, but had almost doubled by early 2017.

Hopes for an OPEC production curtailment agreement have generated several increases over the year, each time challenged by high levels of stocks, non-conventional oil production in the US, increasing production & exports by Iraq and Iran, etc.

Recent OPEC decisions are now impacting the barrel price step by step, but implementation details are still to be settled. Non-conventional oil production is becoming more and more cost effective with break-even costs almost half of the pre-crisis levels. The ability to rapidly switch on and off production will keep the oil price low – as soon as the price goes up, more production will be added.

Improvement in oil price has led to a recovery in spending in opex, maintenance and sometimes brownfield capex during the last quarter of 2016. Capex in large projects has continued to decline over the year.

1.4 Data centers and Networks

The global IT market experienced nearly flat growth in 2016 due to political uncertainty in global markets, as well as international trade, energy and foreign exchange volatility, which has fostered a wait-and-see approach causing some enterprises to delay IT investments.

In 2016, a number of major technology trends converged including cloud computing, mobile edge analytics, digital business and artificial intelligence. In response, Large Enterprises continued to deploy IT in a hybrid environment of on-premise, colocation, hosting and cloud.

In particular, aggressive build-out of cloud computing platforms by internet giants was a key driver of significant growth at both hyperscale sites and regional data centers. Schneider Electric is leveraging its global presence and comprehensive data center solutions to accommodate our customer needs wherever they decide to locate their IT infrastructure.

As internet use is trending towards bandwidth-intensive content such as augmented reality, video on demand, and social media, and with the increasing adoption of the Internet of Things, computing power and storage is increasingly placed at the edge of the network closer to end users. The IT division is well positioned to drive faster growth by targeting various edge computing applications such as micro data center and modular data center offers, which provide our customers with fast deployment, flexibility and higher efficiency.

The data center three phase power and cooling infrastructure market continued to experience a shift from internal enterprise data centers to colocation & cloud. In this environment, overall growth was flat, with faster growth in megawatt applications, where Schneider is well positioned as a technology leader.

Industrial power and infrastructure customers streamlined their capital expenditure budgets, particularly in emerging markets, in line with the collapse of oil and commodity prices earlier in the year, which affected economies in Brazil, Russia, and the Middle East. However, with the stabilization of commodity prices, along with the continued moderate outlook for infrastructure investments in power generation, chemical production and semiconductors in North America and Europe, the outlook for 2017 is positive.

The worldwide IT services market showed strong growth, a trend which is expected to continue in 2017. Buyer investments in legacy IT equipment, and new digital software services, including intelligent automation, predictive analytics, and services optimization and innovation continue to reflect high demand. In this environment, we launched new digital platforms such as StruxureOn™, enabling protection of our customers' most critical equipment through smart alarming, remote troubleshooting and data-driven insights, delivered by experts monitoring connected data center assets 24/7 – providing visibility and live data directly to your smartphone.

2. Review of the consolidated financial statements

2.1 Review of business and consolidated statement of income

Changes in the scope of consolidation

In 2016, the Group reconsidered the prevailing elements in the analysis of control over Delixi performed in 2014 following the transition to IFRS 10. Following this analysis, Delixi has been consolidated by the equity method as of January 1st, 2016 without restatement of comparative information in respect of the impacts considered nonmaterial.

Acquisitions & divestments occurred during the year

On March 31, 2016, the disposal of the Transportation business (announced in 2015) was finalized with a final sale price established at EUR31 million.

No significant acquisitions occurred during 2016.

Acquisitions & divestments occurred in 2015

On December 11, 2015, Schneider Electric announced that it had obtained all required regulatory approvals and subsequently finalized the sale of Juno Lighting, LLC ("Juno") to Acuity Brands, Inc. for a consideration of approximately USD385 million (EUR343 million). The transaction generated a capital loss of EUR163 million recorded as Other operating expense.

No significant acquisition occurred during 2015.

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 EUR679 million on consolidated revenue and to negative EUR199 million Adjusted EBITA[1].

Revenue

On December 31, 2016, the consolidated revenue of Schneider Electric totaled EUR24,693 million, a decrease of 7.3% at current scope and exchange rates compared to EUR26,640 million on December 31, 2015.

This variance breaks down into an organic decrease of -0.9%, an effect linked to the disposals of -3.9% and a negative exchange rate effect of -2.5%, primarily due to the appreciation of the British pound and the Chinese yuan against the euro.

Solutions represent 44% of the total revenue in 2016, versus 43% in 2015.

2.2 Changes in revenue by operating segment

The Building business generated revenues of EUR10,700 million, or 43% of the consolidated total. This represents a decrease of -9.8% on a reported basis, mainly due to the deconsolidation of Delixi (-5.5 pts), and an increase of **+0.3%** on a like-for-like basis, with growth in Wiring Devices & Final Distribution activities. North America was up. The US benefitted from successful new offer launches in a favorable construction market while the commercial & industrial buildings market was tepid. Mexico posted continued growth throughout the year. Western Europe was about flat, with mixed results. Spain and Italy grew on successful commercial initiatives while Germany declined. France was down despite growth in improving residential markets. The Nordics grew thanks to new product launches, while the UK was flat. Asia Pacific grew slightly, driven by strong growth in India, while Australia suffered from a high base of comparison. China posted slight growth thanks to successful commercial initiatives and improvement in Tier 1 and Tier 2 construction markets. Rest of the World declined, dragged down by the economic situation in the Middle East, while CIS and Africa posted growth. South America was about stable, as the decline in Brazil was offset by growth in the rest of the region.

(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 Industry business generated revenues of EUR5,485 million, or 22% of the consolidated total. This represents a decrease of -3.7% on a reported basis and a decrease of **-1.2%** on a like-for-like basis. Organic growth continued to be impacted by lower Oil & Gas prices. Western Europe was flat, with growth in Italy and Spain offsetting declines in France and the UK. North America continued to be weighed down by lower industrial investments and a strong US dollar, while the priority remains enhancing cross-selling through channel initiatives. Asia Pacific declined, suffering from weak industrial investment in China, despite good growth in India and Korea. Rest of the World was up, with mixed results, with Africa and CIS posting growth, offsetting declines in the Middle East and South America. Services were up for the year.

The Infrastructure business generated revenues of EUR4,919 million, or 20% of the consolidated total. This represents a decrease of -9.4% on a reported basis and a decrease of **-3.4%** on a like-for-like basis, driven by greater project selectivity. Excluding the impact of selectivity initiatives, the business was slightly up for the year. Western Europe grew, driven by growth in the UK, France, and Germany. North America was down, as lower O&G prices and a stronger dollar weighed on industrial investments in the US, and Canada continued to suffer from less resource-linked investment. Asia-Pacific declined. In China, growth from emerging market segments could not offset the weakness seen in traditional segments, while Australia suffered from lower investment in resources. Rest of the World was down due to weakness in the Middle-East, where persistently low O&G prices led to lower investment. Services continued to grow.

The IT business generated revenues of EUR3,589 million, or 15% of the consolidated total. This represents a decrease of -1.9% in a reported basis and a decrease of **-0.8%** on a like-for-like basis. Overall, the environment was mixed, with growing investment in some data center segments such as co-location, but lower IT spending in some regions. The US grew, driven by reinvigorated IT channels and strong services growth. Western Europe declined, due to Germany and the UK, in soft IT markets. Asia Pacific grew, driven by strong growth in India and East Asia, while Japan declined. Rest of the World was penalized by weakness in the Middle East and Africa. Services posted solid growth.

2.3 Gross profit

Gross profit decreased from EUR9,845 million for the year ended December 31, 2015 to EUR9,390 million for the year ended December 31, 2016, or -4.6%, mainly due to the perimeter impacts.

As a percentage of revenues, the gross margin increased to 38.0% in 2016 (*versus* 37.0% in 2015), thanks to productivity improvements and the selectivity of the projects.

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 5.3% from EUR565 million for the year ended December 31, 2015 to EUR535 million for the year ended December 31, 2016. As a percentage of revenues, the net cost of research and development remained stable at 2.2% of revenues for the year ended December 31, 2016 (2.1% for the year ended December 31, 2015).

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 2.8% from EUR1,272 million for the year ended December 31, 2015 to EUR1,236 million for the year ended December 31, 2016. As a percentage of revenues, total research and development expenses increased slightly at 5.0% for the year ended December 31, 2016 from 4.8% for the year ended December 31, 2015.

In 2016, the net effect of capitalized development costs and amortization of capitalized development costs amounted to EUR107 million on operating income *versus* EUR145 million in 2015.

Selling, general and administrative expenses decreased by 4.4% from EUR5,639 million for the year ended December 31, 2015 to EUR5,375 million for the year ended December 31, 2015. As a percentage of revenues, selling, general and administrative expenses increased from 21.2% in 2015 to 21.8% in 2016.

Combined total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR5,910 million for the year ended December 31, 2016 compared to EUR6,204 million for the year ended December 31, 2015, a decrease of 4.7%. The support function costs to sales ratio increased from 23.3% for the year ended December 31, 2015 to 23.9% for the year ended December 31, 2016.

2.5 Other operating income and expenses

For the year ended December 31, 2016, other operating income and expenses amounted to a net loss of EUR63 million, mainly due the impairment of intangible 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 US and in Switzerland, and provisions release following a transactional agreement.

For the year ended December 31, 2015, other operating income and expenses amounted to a net loss of EUR522 million, mainly due to net losses on sale of business (EUR223 million), notably on Juno divestment, and impairment of assets (EUR246 million), notably on Transportation business related to the expected divestment described above. Other main items included costs linked to acquisitions for EUR118 million (notably Invensys integration costs), and a EUR53 million gain on the curtailment of employee benefit plans in the UK and in France.

2.6 Restructuring costs

For the year ended December 31, 2016, restructuring costs amounted to EUR313 million compared to EUR318 million for the year ended December 31, 2015. This amount in restructuring costs is linked to the *Simplify* initiatives that were announced in early 2015 as part of the "Schneider is On" program.

2.7 EBITA and Adjusted EBITA

We define EBITA as earnings before interest, taxes and amortization of purchase accounting intangibles. EBITA comprises operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment.

We define adjusted EBITA as EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

Adjusted EBITA amounted to EUR3,480 million for the year ended December 31, 2016, compared to EUR3,641 million for the year ended December 31, 2015, representing a decrease of 4.4%, mainly due to the perimeter effects. As a percentage of revenue, adjusted EBITA increased from 13.7% for the year ended December 31, 2015 to 14.1% for the year ended December 31, 2016.

EBITA increased by 10.8% from EUR2,801 million for the year ended December 31, 2015 to EUR3,104 million for the year ended December 31, 2016, mainly linked to net losses on sales of business, impairment of assets and higher restructuring expenses in 2015. As a percentage of revenue, EBITA increased to 12.6% in 2016 compared with 10.5% in 2015.

2.8 EBITA and Adjusted EBITA by business segment

The following table sets out EBITA and adjusted EBITA by business segment:

Full year 2016

(in millions of euros)	***Buildings***	***Industry***	***Infrastructure***	***IT***	**Corporate costs**	**Total**
Revenue	10,700	5,485	4,919	3,589	-	24,693
Adjusted EBITA*	2,099	918	477	604	(618)	3,480
Adjusted EBITA%	19.6%	16.7%	9.7%	16.8%	-	14.1%

* *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Full year 2015

(in millions of euros)	***Buildings***	***Industry***	***Infrastructure***	***IT***	**Corporate costs**	**Total**
Revenue	11,859	5,696	5,428	3,657	-	26,640
Adjusted EBITA*	2,132	975	495	644	(605)	3,641
Adjusted EBITA%	18.0%	17.1%	9.1%	17.6%	-	13.7%

* *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Buildings business recorded an adjusted EBITA margin of 19.6% for the year ended December 31, 2016, up 1.6 pts compared to 18.0% for the year ended December 31, 2015, thanks to better support function cost control, and sales organic growth.

Industry business recorded an adjusted EBITA margin of 16.7% for the year ended December 31, 2016, down 0.4 pts compared to 17.1% for the year ended December 31, 2015, penalized by the decline in the investments and Oil & Gas low price.

Infrastructure business recorded an adjusted EBITA margin of 9.7% for the year ended December 31, 2016, up 0.6 pts compared to 9.1% for the year ended December 31, 2015, benefiting from the selectivity of projects.

IT business reported an adjusted EBITA margin of 16.8% for the year ended December 31, 2016, down 0.8 pts compared with 17.6% margin for the year ended December 31, 2015, penalized by a negative mix and sales decrease.

Corporate costs amounted to EUR618 million for the year ended December 31, 2016 or 2.5% of Group revenues, a slight increase compared to the year ended December 31, 2015 (2.3% of Group revenues or EUR605 million).

2.9 Operating income (EBIT)

Operating income (EBIT) increased from EUR2,229 million for the year ended December 31, 2015 to 2,951 million for the year ended December 31, 2016. This 32.4% increase is explained by both the EBITA improvement and by an impairment of Pelco trademark amounting to EUR295 million in “Amortization and impairment of purchase accounting intangibles”, booked in 2015.

2.10 Net financial income/loss

Net financial loss amounted to EUR462 million for the year ended December 31, 2016, compared to EUR446 million for the year ended December 31, 2015. The increase in the net financial loss is mainly explained by the losses generated by the foreign exchange increasing by EUR35 million, not compensated by a decrease in the cost of net financial debt from EUR295 million for year ended December 31, 2015 to EUR272 million for the year ended December 31, 2016.

2.11 Tax

The effective tax rate was 28.6% for the year ended December 31, 2016, an increase compared to 21.8% for the year ended December 31, 2015. The corresponding tax expense increased from EUR389 million for the year ended December 31, 2015 to EUR712 million for the year ended December 31, 2016. The tax expense included in 2015 a EUR115 million deferred tax income related to the impairment of Pelco trademark.

Furthermore, the planned reduction in 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") led to a negative adjustment in 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.

2.12 Share of profit/(losses) of associates

The share of profit of associates decreased from EUR109 million for the year ended December 31, 2015 to EUR34 million for the year ended December 31, 2016 mainly due to a non recurrent gain realized on the sale of assets reported by CST in 2015.

2.13 Non-controlling interests

Non-controlling interests in net income for the year ended December 31, 2016 totaled EUR61 million, compared to EUR96 million for the year ended December 31, 2015. This represented the share in net income attributable, in large part, to the non-controlling interests of certain Chinese companies. The decrease is mainly linked to the decision to consolidate Delixi by the equity method as described in note 2.1.

2.14 Profit for the period

Profit for the period attributable to the equity holders of the parent company amounted to EUR1,750 million for the year ended December 31, 2016, that is, a 24.4% increase over the EUR1,407 million profit for the year ended December 31, 2015, mainly due to the improvement in EBITA described in note 2.9.

2.15 Earnings per share

Earnings per share increased from EUR2.47 for the year ended December 31, 2015 to EUR3.12 for the year ended December 31, 2016.

2.16 Consolidated cash-flow

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities amounted to EUR2,942 million for the year ended December 31, 2016, up 8.4% compared to EUR2,715 million for the year ended December 31, 2015, and represented 11.9% of revenue in 2016 compared with 10.2% in 2015.

The change in working capital generated EUR28 million in cash in the year ended December 31, 2016, compared to EUR117 million generated in the year ended December 31, 2015.

In all, net cash provided by operating activities increased by 4.9% from EUR2,832 million in the year ended December 31, 2015 to EUR2,970 million in the year ended December 31, 2016.

Investing Activities

Net capital expenditure, which included capitalized development projects, decreased by 2.9% to EUR764 million for the year ended December 31, 2016, compared to EUR787 million for the year ended December 31, 2015, and represented 3.1% of revenues in 2016 (3.1% in 2015).

Free cash-flow (cash provided by operating activities net of net capital expenditure) amounted to EUR2,206 million in 2016 *versus* EUR2,045 million in 2015.

Cash conversion rate (free cash-flow over net income attributable to the equity holders of the parent company on continuing operations, adjusted for the impact of business disposals, Pelco trademark impairment in 2015 and the tax adjustments described in note 2.11 was 118% in 2016 versus 113% in 2015.

The effect of acquisitions and divestments during the year was a net cash outflow amounting to EUR20 million in 2016. Our acquisitions represented a cash inflow, net of cash acquired, of EUR296 million for the year ended December 31, 2015, corresponding mainly to the disposals described in note 2.1.

Financing Activities

In 2016, the Group reimbursed bonds for EUR672 million and issued a bond in euros for EUR800 million.

The net decrease in other financial debts amounted to EUR794 million during the year ended December 31, 2016, compared to a net decrease in other financial debts amounting to EUR1,262 million during the year ended December 31, 2015. The dividend paid by Schneider Electric was EUR1,127 million in the year ended December 31, 2016, compared with EUR1,108 million in the year ended December 31, 2015.

3. Review of the parent company financial statements

Schneider Electric SE posted an operating loss of EUR16 million in 2016 compared with EUR1 million the previous year.

Interest expense net of interest income amounted to EUR128 million *versus* EUR126 million the previous year.

Current loss amounted to EUR162 million in 2016 compared to a current loss of EUR141 million in 2015.

The net loss stood at EUR100 million in 2016 compared with a net loss of EUR53 million in 2015.

Equity before appropriation of net profit amounted to EUR8,745 million at December 31, 2016 *versus* EUR9,808 million at the previous year-end, after taking into account 2016 loss, dividend payments of EUR1,127 million and share issues in an amount of EUR163 million.

4. Review of subsidiaries

Schneider Electric Industries SAS

Revenue totalled EUR3.2 billion in 2016 (EUR3.3 billion in 2015).

The subsidiary posted an operating gain of EUR115 million in 2016 compared with an operating loss of EUR38 million in 2015.

Net profit amounted to EUR264 million in 2016 compared with EUR238 million of net profit in 2015.

5. Outlook

In 2017 the Group expects more positive momentum in its major end-markets. In North America, modest growth is anticipated with improvement in industrial activity and continued growth in residential markets. Western Europe is expected to grow moderately, benefiting from an environment with a lower Euro and still relatively low oil price, while some Brexit-related risks remain. China is expected to improve in Industry and Infrastructure markets while the construction market should grow at a slower pace due to policy tightening. 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.EUR(200) million at current prices. In this environment, the Group's priority is to grow its partner network through the launch of many new integrated offers, accelerate services and software, working 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 further opportunities for growth.

Therefore, in line with the objectives announced at the 2016 Investor day, the Group 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.

Consolidated financial statements at December 31, 2016

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1. Consolidated statement of income

(in millions of euros except for earnings per share)	Note	Full year 2016	Full year 2015
Revenue	**3**	**24,693**	**26,640**
Cost of sales		(15,303)	(16,795)
Gross profit		**9,390**	**9,845**
Research and development	4	(535)	(565)
Selling, general and administrative expenses		(5,375)	(5,639)
EBITA adjusted*		**3,480**	**3,641**
Other operating income and expenses	6	(63)	(522)
Restructuring costs	7	(313)	(318)
EBITA**		**3,104**	**2,801**
Amortization and impairment of purchase accounting intangibles	8	(153)	(572)
Operating income		**2,951**	**2,229**
Interest income		41	40
Interest expense		(313)	(335)
Finance costs, net		**(272)**	**(295)**
Other financial income and expense	9	(190)	(151)
Net financial income/(loss)		**(462)**	**(446)**
Profit from continuing operations before income tax		**2,489**	**1,783**
Income tax expense	10	(712)	(389)
Share of profit/(loss) of associates	14	34	109
PROFIT FOR THE PERIOD		**1,811**	**1,503**
◆ attributable to owners of the parent		1,750	1,407
◆ attributable to non-controlling interests		61	96
Basic earnings (attributable to owners of the parent) per share *(in euros per share)*	21.2	3.12	2.47
Diluted earnings (attributable to owners of the parent) per share *(in euros per share)*		3.09	2.46

* *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 2016	Full year 2015
Profit for the year		**1,811**	**1,503**
Other comprehensive income:			
Translation adjustment		(43)	926
Cashflow hedges	26.3.1	30	98
Income tax effect of Cashflow hedges	21.6	(12)	(34)
Net gains (losses) on available-for-sale financial assets		4	(3)
Income tax effect of net gains (losses) on available-for-sale financial assets	21.6	-	1
Actuarial gains (losses) on defined benefit plans	22.1	(426)	372
Income tax effect of Actuarial gains (losses) on defined benefit plans	21.6	59	(68)
Other comprehensive income for the year, net of tax		**(388)**	**1,292**
of which to be recycled in income statement		22	62
of which not to be recycled in income statement		(410)	1,230
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,423**	**2,795**
Attributable:			
◆ to owners of the parent		1,363	2,664
◆ to non-controlling interests		60	131

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 2016	Full year 2015
Profit for the year		**1,811**	**1,503**
Share of (profit)/losses of associates, net of dividends received		(34)	(109)
Income and expenses with no effect on cash flow			
Depreciation of property, plant and equipment	13	389	426
Amortization of intangible assets other than goodwill	12	453	551
Impairment losses on non-current assets	5	106	505
Increase/(decrease) in provisions	23	(112)	(82)
Losses/(gains) on disposals of fixed assets		17	213
Difference between tax paid and tax expense		181	(388)
Other non-cash adjustments		131	96
Net cash provided by operating activities		**2,942**	**2,715**
Decrease/(increase) in accounts receivable		(5)	(21)
Decrease/(increase) in inventories and work in process		118	(3)
(Decrease)/increase in accounts payable		(31)	115
Other current assets and liabilities		(54)	26
Change in working capital requirement		**28**	**117**
Total I – Cash flows from operating activities		**2,970**	**2,832**
Purchases of property, plant and equipment	13	(485)	(509)
Proceeds from disposals of property, plant and equipment		81	100
Purchases of intangible assets	12	(374)	(396)
Proceeds from disposals of intangible assets		14	18
Net cash used by investment in operating assets		**(764)**	**(787)**
Net financial investments	2	47	232
Proceeds from sale of financial assets		-	28
Purchases of other long-term investments		44	191
Increase in long-term pension assets		(111)	(155)
Sub-total		**(20)**	**296**
Total II – Cash flows from/(used in) investing activities		**(784)**	**(491)**
Issuance of bonds	24	800	1,850
Repayment of bonds	24	(672)	(750)
Sale/(purchase) of own shares		(853)	(600)
Increase/(reduction) in other financial debt		(794)	(1,262)
Proceeds from issuance of shares		164	153
Dividends paid by Schneider Electric SE		(1,127)	(1,108)
Non-controlling interests		(100)	(111)
Total III – Cash flows from/(used in) financing activities		**(2,582)**	**(1,828)**
Total IV – Net foreign exchange difference		**77**	**(102)**
Increase/(decrease) in net cash and cash equivalents: I +II +III +IV		**(319)**	**411**
Net cash and cash equivalents at January 1		2,849	2,438
Increase/(decrease) in cash and cash equivalents		(319)	411
NET CASH AND CASH EQUIVALENTS AT DECEMBER 31	**20**	**2,530**	**2,849**

The accompanying notes are an integral part of the consolidated financial statements.

3. Consolidated balance sheet

Assets

(in millions of euros)	Note	Dec. 31, 2016	Dec. 31, 2015
NON-CURRENT ASSETS			
Goodwill, net	11	17,785	17,781
Intangible assets, net	12	4,574	4,726
Property, plant and equipment, net	13	2,642	2,729
Total tangible and intangible assets		7,216	7,455
Investments in associates	14	601	364
Available-for-sale financial assets	15.1	161	128
Other non-current financial assets	15.2	378	568
Non-current financial assets		539	696
Deferred tax assets	16	2,573	2,504
Total non-current assets		**28,714**	**28,800**
CURRENT ASSETS			
Inventories and work in progress	17	2,876	3,035
Trade and other operating receivables	18	5,929	6,002
Other receivables and prepaid expenses	19	1,507	1,700
Current financial assets	15.3	30	41
Cash and cash equivalents	20	2,795	2,999
Total current assets		**13,137**	**13,777**
TOTAL ASSETS		**41,851**	**42,577**

The accompanying notes are an integral part of the consolidated financial statements.

Liabilities

(in millions of euros)	Note	Dec. 31, 2016	Dec. 31, 2015
Equity	21		
Share capital		2,370	2,355
Additional paid-in capital		6,232	7,267
Retained earnings		10,895	10,187
Translation reserve		997	1,039
Equity attributable to owners of the parent		**20,494**	**20,848**
Non-controlling interests		159	441
Total equity		**20,653**	**21,289**
Non-current provisions			
Pensions and other post-employment benefit obligations	22	2,229	2,025
Other non-current provisions	23	1,650	1,659
Total non-current provisions		3,879	3,684
Non-current financial liabilities			
Bonds	24	5,721	5,919
Other non-current debt	24	45	216
Non-current financial liabilities		5,766	6,135
Deferred tax liabilities	16	1,367	1,195
Other non-current liabilities	25	142	147
Total non-current liabilities		**11,154**	**11,161**
Current liabilities			
Trade and other operating payables		4,146	4,284
Accrued taxes and payroll costs		2,006	2,151
Current provisions	23	857	900
Other current liabilities		1,182	1,297
Current debt	24	1,853	1,495
Total current liabilities		**10,044**	**10,127**
TOTAL EQUITY AND LIABILITIES		**41,851**	**42,577**

The accompanying notes are an integral part of the consolidated financial statements.

4. Consolidated statement of changes in equity

(in millions of euros except for number of shares)	**Number of shares *(thousands)***	**Capital**	**Additional paid-in capital**	**Treasury shares**	**Retained earnings**	**Translation reserve**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**Total**
Jan. 1, 2015	**584,691**	**2,339**	**7,898**	**(445)**	**9,792**	**148**	**19,732**	**419**	**20,151**
Profit for the year					1,407		1,407	96	1,503
Other comprehensive income					366	891	1,257	35	1,292
Comprehensive income for the year					1,773	891	2,664	131	2,795
Capital increase	2,414	10	124				134		134
Exercise of stock option plans	1,629	6	17		(4)		19		19
Dividends			(796)		(312)		(1,108)	(102)	(1,210)
Change in treasury shares				(582)	(18)		(600)		(600)
Share-based compensation expense					97		97		97
Other			24		(114)		(90)	(7)	(97)
Dec. 31, 2015	**588,734**	**2,355**	**7,267**	**(1,027)**	**11,214**	**1,039**	**20,848**	**441**	**21,289**
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 options	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	**592,499**	**2,370**	**6,232**	**(1,880)**	**12,775**	**997**	**20,494**	**159**	**20,653**

* *The EUR242 million decrease in non-controlling interests mainly results from the deconsolidation of Delixi.*
The accompanying notes are an integral part of the consolidated financial statements.

5. Notes to the consolidated financial statements

PLEASE NOTE

All amounts are 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, 2016 were drawn up by the board of directors on February 15, 2017. They will be submitted to shareholders for approval at the Annual General Meeting of April 25, 2017.

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, 2016. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2015.

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, 2016:

- amendments to IAS 1 – Disclosure initiative;
- amendments to IAS 19 – Defined Benefit plans: Employee Contributions;
- amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations;
- amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization;
- annual Improvements to IFRSs 2012-2014 Cycle (September 2014);
- amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the Consolidation Exception;
- amendments to IAS 27 – Equity Method in Separate Financial Statements.

The Group did not apply the following standards and interpretations for which mandatory application is subsequent to December 31, 2016:

- standards adopted by the European Union:
  - amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses,
  - IFRS 9 – *Financial instruments*,
  - IFRS 15 – *Revenue from Contracts with Customers*;
- standards not yet adopted by the European Union:
  - IFRS 16 – Leases,
  - IFRS 15 – *Clarifications*,
  - amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,
  - amendments to IAS 7 – Statement of Cash Flows – Disclosure initiative,
  - annual Improvements to IFRSs 2014-2016 Cycle (December 2016),
  - amendments to IAS 40 – Transfers of Investment Property,
  - IFRIC 22 – Foreign Currency Transactions and Advance Consideration,
  - amendments to IFRS 2 – Share-based payment – Classification and Measurement.

There are no differences between the standards applied by Schneider Electric as of December 31, 2016 and the IFRS issued by the International Accounting Standards board (IASB).

The Group is currently assessing the potential effect on the Group's consolidated financial statements of the standards not yet applicable. At this stage of analysis, the Group does not expect the impact on its consolidated financial statements to be material, except for IFRS 9 and IFRS 16, for which main effect would be the inclusion, in 2019, of lease commitments for operating leases detailed in note 13.3 in financial debt.

1.2 – Basis of presentation

The financial statements have been prepared on a historical cost basis, with the exception of derivative instruments and available – for – sale financial assets, which are measured at fair value. Financial liabilities are measured using the amortized cost model. The book value of hedged assets and liabilities, under fair-value hedge, corresponds to their fair value, for the part corresponding to the hedged risk.

1.3 – Use of estimates and assumptions

The preparation of the 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 1.10) and the measurement of the goodwill impairment (note 8);
- the measurement of the recoverable amount of non-current financial assets (note 1.11 and note 15);
- the realizable value of inventories and work in process (note 1.12);
- the recoverable amount of accounts receivable (note 1.13);
- the valuation of share-based payments (note 1.19);
- the calculation of provisions for contingencies, in particular for warranties (note 1.20);
- the measurement of pension and other post-employment benefit obligations (note 1.18 et note 22);
- the measurement of deferred tax assets related to carry forward losses (note 16).

1.4 – Consolidation principles

Subsidiaries, over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated. Exclusive control is control by all means, including ownership of a majority voting interest, significant minority ownership, and contracts or agreements with other shareholders.

Group investments in entities controlled jointly with a limited number of partners, such as joint ventures and alliances and companies over which the Group has significant influence ("associates") are accounted for by the equity consolidation method. Significant influence is presumed to exist when more than 20% of voting rights are held by the Group.

Companies acquired or sold during the year are included in or removed from the consolidated financial statements as of the date when effective control is acquired or relinquished.

Intragroup balances and transactions are eliminated.

The list of consolidated subsidiaries and associates can be found in note 32.

The reporting date for all companies included in the scope of consolidation is December 31, with the exception of certain associates accounted for by the equity method. For the latter however, financial statements up to September 30 of the financial year have been used (maximum difference of three months in line with the standards).

1.5 – 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 1.10 below). Any impairment losses are recognized under "Amortization and impairment of purchase accounting intangibles".

1.6 – Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are prepared in euros.

The financial statements of subsidiaries that use another functional currency are translated into euros as follows:

- assets and liabilities are translated at the official closing rates;
- income statement and cash flow items are translated at weighted average annual exchange rates.

Gains or losses on translation are recorded in consolidated equity under "Cumulative translation reserve".

1.7 – 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 rate 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 1.22.

1.8 – 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 has 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 3 to 10 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.

1.9 – 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 1st, 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.

1.10 – Impairment of assets

In accordance with IAS 36 – *Impairment of Assets* – the Group assesses the recoverable amount of its long-lived assets as follows:

- for all property, plant and equipment subject to depreciation and intangible assets subject to amortization, the Group carries out a review at each balance sheet date to assess whether there is any indication that they may be impaired. Indications of impairment are identified on the basis of external or internal information. If such an indication exists, the Group tests the asset for impairment by comparing its carrying amount to the higher of fair value minus costs to sell and value in use;
- non-amortizable intangible assets and goodwill are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Value in use is determined by discounting future cash flows that will be generated by the tested assets. These future cash flows are based on Group management's economic assumptions and operating forecasts presented in forecasts over a period generally not exceeding five years, and then extrapolated based on a perpetuity growth rate. The discount rate corresponds to the Group's Weighted Average Cost of Capital (WACC) at the measurement date plus a risk premium depending on the region in question. The WACC stood at 7.3% at December 31, 2016, unchanged from December 31, 2015. This rate is based on (i) a long-term interest rate of 1.54%, 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 2016, and (iii) the weighted country risk premium for the Group's businesses in the countries in question.

The perpetuity growth rate was 2%, unchanged from the previous financial year.

Impairment tests are performed at the level of the Cash-Generating Unit (CGU) to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. The cash-generating units are *Building, Infrastructure, Industry* and *IT*. CGUs net assets were allocated to the CGUs at the lowest possible level on the basis of the CGU activities to which they belong; the assets belonging to several activities were allocated to each CGU (Building, Infrastructure and Industry mainly) *prorata* to their revenue in that CGU.

The WACC used to determine the value in use of each CGU was 8.0% for *Building*, 8.1% for *Industry*, 8.2% for *IT*, or and 8.4% for *Infrastructure*.

Goodwill is allocated when initially recognized. The CGU allocation is done on the same basis as used by Group management to monitor operations and assess synergies deriving from acquisitions.

Where the recoverable amount of an asset or CGU is lower than its book value, an impairment loss is recognized for the excess of the book value over the recoverable value. The recoverable value is defined as the highest value between the value in use and the realizable value net of costs. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted there from.

1.11 – Non-current financial assets

Investments in non-consolidated companies are classified as available-for-sale financial assets. They are initially recorded at their cost of acquisition and subsequently measured at fair value, when fair value can be reliably determined.

The fair value of investments listed in an active market may be determined reliably and corresponds to the listed price at balance sheet date (Level 1 from the fair value hierarchy as per IFRS 7).

In cases where fair value cannot be reliably determined on observable markets, the investments are measured at cost net of any accumulated impairment losses. The recoverable amount is determined by assessing either the Group' share in the entity's net assets or the expected future cashflows representative of management expectation in this investment. This rule is applied in particular to unlisted shares.

Changes in fair value are accumulated as other comprehensive income in the comprehensive income statement and, in balance sheet, in equity under "Other reserves" up to the date of sale, at which time they are recognized in the income statement. Unrealized losses on assets that are considered to be permanently impaired are recorded at the statement of income under financial loss.

Loans, recorded under "Other non-current financial assets", are carried at amortized cost and tested for impairment where there is an indication that they may have been impaired. Non-current financial receivables are discounted when the impact of discounting is considered significant.

1.12 – Inventories and work in process

Inventories and work in progress are measured at the lower of their initial recognition cost (acquisition cost or production cost generally determined by the weighted average price method) or of their estimated net realizable value.

Net realizable value corresponds to the estimated selling price net of remaining expenses to complete and/or sell the products.

Inventory impairment losses are recognized in "Cost of sales".

The cost of work in progress, semi-finished and finished products, includes the cost of materials and direct labor, subcontracting costs, all production overheads based on normal manufacturing capacity and the portion of research and development costs that is directly related to the manufacturing process (corresponding to the amortization of capitalized projects in production, and product and range maintenance costs).

1.13 – Trade and other operating receivables

Depreciations for doubtful accounts is recorded when it is probable that receivables will not be collected and the amount of the loss can be reasonably estimated. Doubtful accounts are identified and the related depreciation determined based on historical loss experience, the aging of the receivables and a detailed assessment of the individual receivables along with the related credit risks. Once it is known with certainty that a doubtful account will not be collected, the doubtful account and its related depreciation are written off through the Income Statement.

Accounts receivable are discounted in cases where they are due in over one year and the impact of adjustment is significant.

1.14 – Assets held for sale

Assets held for sale are no longer amortized or depreciated and are recorded separately in the balance sheet under "Assets held for sale" at the lowest of its amortized cost or net realizable value.

1.15 – 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.

1.16 – 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.

1.17 – 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.

1.18 – 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.

1.19 – 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 3 or 4 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, remeasured 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 21.4.2).

1.20 – 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, 2016, unchanged from December 31, 2015.

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.

1.21 – 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.

1.22 – Financial instruments and derivatives

Risk hedging management is centralized. The Group's policy is to use derivative financial instruments exclusively to manage and hedge changes in exchange rates, interest rates or prices of certain raw materials. The Group accordingly uses instruments such as swaps, options and futures, depending on the nature of the exposure to be hedged.

Foreign currency hedges

The Group periodically buys foreign currency derivatives to hedge the currency risk associated with foreign currency transactions. Some of these instruments hedge operating receivables and payables carried in the balance sheets of Group companies. The Group does not apply hedge accounting to these instruments because gains and losses on this hedging is immediately recognized. At year-end, the hedging derivatives are mark-to-market and gains or losses are recognized in "Net financial income/(loss)", offsetting the gains or losses resulting from the translation at end-of-year rates of foreign currency payables and receivables, in accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

The Group also hedges future cash flows, including recurring future transactions, Intragroup 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 remeasurement 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 remeasuring 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.

1.23 – Revenue recognition

The Group's revenues primarily include merchandise sales and revenues from services and contracts.

Merchandise sales

Revenue from sales is recognized when the product is shipped and risks and benefits are transferred (standard shipping terms are FOB).

Provisions for the discounts offered to distributors are set aside when the products are sold to the distributor and recognized as a deduction from revenue.

Certain Group subsidiaries also offer cash discounts to distributors. These discounts and rebates are deducted from sales.

Consolidated revenue is presented net of these discounts and rebates.

Service contracts

Revenue from service contracts is recorded over the contractual period of service. It is recognized when the result of the transaction can be reliably determined, by the percentage of completion method.

Long-term contracts

Income from long-term contracts is recognized using the percentage-of-completion method, based either on the percentage of costs incurred in relation to total estimated costs of the entire contract, or on the contract's technical milestones, notably proof of installation or delivery of equipment. When a contract includes performance clauses in the Group's favor, the related revenue is recognized at each project milestone and a provision is set aside if targets are not met.

Losses at completion for a given contract are provided for in full as soon as they become probable. The cost of work in process includes direct and indirect costs relating to the contracts.

1.24 – 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.

1.25 – 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, 2016 include the financial statements of the 560 principal companies companies listed in note 32. The scope of consolidation for the year ended December 31, 2016 can be summarized as follows:

Number of active companies	Dec. 31, 2016	Dec. 31, 2015
Parent company and fully consolidated subsidiaries	547	603
Companies accounted for by the equity method	13	9
TOTAL	**560**	**612**

In 2016, the Group reconsidered the prevailing elements in the analysis of control over Delixi performed in 2014 at the transition to IFRS 10. Following this analysis, Delixi has been consolidated by the equity method as of January 1st, 2016 without restatement of comparative information in respect of the impacts considered non-material.

2.1 – Follow-up on acquisitions and divestments occurred in 2015 with significant effect in 2016

Acquisitions

No acquisition occurred in 2015 that had a significant impact on the 2016 financial statements.

Disposals of the period

On December 14, 2015 – Schneider Electric announced that it had 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

No significant acquisitions occurred during 2016.

The effect of acquisitions and divestments during the year is a net cash inflow amounting to EUR47 million in 2016:

	Dec. 31, 2016	Dec. 31, 2015
Acquisitions	(64)	(162)
Cash and cash equivalents paid	*(35)*	*(170)*
Cash and cash equivalents acquired/(paid)	*(29)*	*8*
Disposals	111	394
NET FINANCIAL INVESTMENT	**47**	**232**

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 into 4 businesses: *Building, Infrastructure, Industry* and *IT*:

- **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;
- **infrastructure**, combines all Medium Voltage activities; the business is in charge of the end-customer segments Oil & Gas, Electric Utilities and Transportation when it relates to integrated solutions;
- **industry**, which includes Automation & Control and four end-customer segments: OEMs, Water, Mining Minerals & Metals and Food & Beverages when it relates to solutions integrating the offers of several activities from the Group;
- **IT**, which covers Critical Power & Cooling Services and three end-customer segments (Data centers, Finance, Cloud computing and Telecom).

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 2016

(in millions of euros)	***Building***	***Industry***	***Infrastructure***	***IT***	**Corporate costs**	**Total**
Revenue	10,700	5,485	4,919	3,589	-	24,693
Adjusted EBITA*	2,099	918	477	604	(618)	3,480
Adjusted EBITA %	*19.6%*	*16.7%*	*9.7%*	*16.8%*	-	*14.1%*

* *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Revenue related to solutions amounts to 44% of total revenue in 2016.

Full year 2015

(in millions of euros)	***Building***	***Industry***	***Infrastructure***	***IT***	**Corporate costs**	**Total**
Revenue	11,859	5,696	5,428	3,657	-	26,640
Adjusted EBITA*	2,132	975	495	644	(605)	3,641
Adjusted EBITA %	*18.0%*	*17.1%*	*9.1%*	*17.6%*	-	*13.7%*

* *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Revenue related to solutions amounts to 43% of total revenue in 2015.

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, 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	6,761	1,697	6,884	5,813	6,699	3,055	4,349	24,693
Non-current assets	9,114	1,712	10,264	8,064	4,257	1,022	1,366	25,001

Dec. 31, 2015

	Western Europe	***of which France***	**North America**	***of which USA***	**Asia-Pacific**	***of which China***	**Rest of the World**	**Total**
Revenue by country market	6,929	1,711	7,268	6,083	7,599	3,892	4,844	26,640
Non-current assets	10,017	1,739	9,213	8,591	4,771	1,596	1,235	25,236

Moreover, the Group follows the share of new economies by revenue:

	Full year 2016		Full year 2015	
Revenue – Mature countries	14,505	59%	15,111	57%
Revenue – New economies	10,188	41%	11,529	43%
TOTAL	**24,693**	**100%**	**26,640**	**100%**

3.3 – Degree of dependence in relation to main customers

No single customer accounts for more than 10% of consolidated revenue.

NOTE 4 Research and development

Research and development costs break down as follows:

	Full year 2016	Full year 2015
Research and development costs in cost of sales	(353)	(335)
Research and development costs in R&D costs(1)	(535)	(565)
Capitalized development costs	(348)	(372)
TOTAL RESEARCH AND DEVELOPMENT COSTS IN THE YEAR	**(1,236)**	**(1,272)**

(1) Of which EUR39 million of research and development tax credits in full year 2016, EUR47 million in full year 2015.

Amortization of capitalized development costs amounted to EUR241 million for the 2016 financial year, compared with EUR227 million in 2015.

NOTE 5 Depreciation and amortization expenses

Depreciation and amortization expenses recognized in operating expenses were as follows:

	Full year 2016	Full year 2015
Included in cost of sales:		
Depreciation and amortization	(531)	(554)
Included in selling, general and administrative expenses:		
Depreciation and amortization	(121)	(203)
DEPRECIATION AND AMORTIZATION EXPENSES	**(652)**	**(757)**

Moreover, the net amount of impairment of non-current assets totaled EUR106 million, compared with EUR482 million in 2015.

NOTE 6 Other operating income and expenses

Other operating income and expenses break down as follows:

	Full year 2016	Full year 2015
Impairment losses on assets	(87)	(246)
Gains on asset disposals	8	21
Losses on asset disposals	(42)	(12)
Costs of acquisitions	(36)	(118)
Pension plan curtailments	31	53
Others	63	(220)
OTHER OPERATING INCOME AND EXPENSES	**(63)**	**(522)**

The impairment losses on assets in 2015 are mainly related to the impairment of the Transportation business consecutive to the divestment described in note 2.1.

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions from 2015 to 2016.

The line "Pension plan curtailments" includes mainly provision releases in USA and Switzerland in 2016; and in 2015 in the United Kingdom and France.

The line "Others" in 2016 includes mainly the release of a provision against a legal claim which was settled in the first half of 2016. In 2015, the line "Others" mainly includes losses on the disposal of businesses, notably the divestment of Juno.

NOTE 7 Restructuring costs

Restructuring costs totaled EUR313 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 2016	Full year 2015
Amortization of purchase accounting intangibles	(153)	(277)
Impairment of purchase accounting intangibles	-	(295)
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	**(153)**	**(572)**

The brand Pelco was impaired for an amount of EUR295 million in 2015.

Impairment tests performed in 2016 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 2016	Full year 2015
Exchange gains and losses, net	(59)	(24)
Financial component of defined benefit plan costs	(74)	(79)
Dividends received	5	-
Fair value adjustment of assets available for sale	(2)	(1)
Other financial expense, net	(60)	(47)
OTHER FINANCIAL INCOME AND EXPENSE	**(190)**	**(151)**

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 2016	Full year 2015
CURRENT TAXES		
France	(205)	(73)
International	(380)	(602)
Total	**(585)**	**(675)**
DEFERRED TAXES		
France	30	185
International	(157)	101
Total	**(127)**	**286**
INCOME TAX (EXPENSE)/BENEFIT	**(712)**	**(389)**

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 downward adjustment of the net deferred tax assets corresponding mainly to past tax losses in France.

10.2 – Tax proof

	Full year 2016	Full year 2015
Profit attributable to owners of the parent	**1,750**	**1,407**
Income of discontinued operations, net of income tax	-	-
Income tax (expense)/benefit	(712)	(389)
Non-controlling interests	(61)	(96)
Share of profit of associates	34	109
Profit before tax	**2,489**	**1,783**
Statutory tax rate	34.43%	34.43%
Reconciling items:		
Theoretical income tax expense	**(857)**	**(614)**
Difference between French and foreign tax rates	185	195
Tax credits and other tax reductions	97	125
Impact of tax losses	(29)	(13)
Other permanent differences	11	(82)
Income tax (expense)/benefit before re-evaluation of French deferred taxes*	(593)	(389)
EFFECTIVE TAX RATE BEFORE RE-EVALUATION OF FRENCH DEFERRED TAXES*	**23.8%**	**21.8%**
Impact of the re-evaluation of French deferred taxes*	(119)	-
Income tax (expense)/benefit	(712)	(389)
EFFECTIVE TAX RATE	**28.6%**	**21.8%**

* *Cf. note 10.1.*

NOTE 11 Goodwill

11.1 – Main items of goodwill

Group goodwill is broken down by business as follows:

	Dec. 31, 2016, net	Dec. 31, 2015, net
Building	5,518	5,797
Industry	6,383	6,234
IT	3,353	3,302
Infrastructure	2,531	2,448
TOTAL	**17,785**	**17,781**

Square D goodwill was allocated to each business in proportion to operating income:

	Building	*Industry*
Square D Company	82%	18%

11.2 – Movements during the year

The main movements during the year are summarized as follows:

	Full year 2016	Full year 2015
Net goodwill at opening	**17,781**	**16,733**
Acquisitions	9	412
Disposals	(384)	(277)
Impairment	-	(65)
Translation adjustment	379	978
Net goodwill at year end	**17,785**	**17,781**
Included cumulative impairment	**(392)**	**(375)**

Acquisitions

Goodwill generated by acquisitions made during the year totaled EUR9 million. Invensys' goodwill (acquired in 2014) was allocated to the CGU *Industry*. Goodwill variation generated in 2015 totaled EUR412 million and corresponds mainly to the Invensys group.

Impairment tests performed on all the Group's CGUs have not led to impairment losses being recognized.

Other changes

Translation adjustments concern principally goodwill in US dollars.

NOTE 12 Intangible assets

12.1 – Change in intangible assets

	Trademarks	Software	Development projects (R&D)	Other	Total
GROSS VALUE					
Dec. 31, 2014	**2,858**	**870**	**2,149**	**2,420**	**8,297**
Acquisitions	1	21	373	1	396
Disposals	(1)	(51)	(15)	(13)	(80)
Translation adjustments	249	16	73	210	548
Reclassification	3	25	(102)	42	(32)
Changes in scope of consolidation and other	(104)	(2)	-	(93)	(199)
Dec. 31, 2015	**3,006**	**879**	**2,478**	**2,567**	**8,930**
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**

	Trademarks	Software	Development projects (R&D)	Other	Total
AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2014	**(398)**	**(706)**	**(910)**	**(1,222)**	**(3,236)**
Depreciation and impairment	(355)	(55)	(339)	(210)	(959)
Recapture	3	46	9	(1)	57
Translation adjustments	(12)	(15)	(34)	(86)	(147)
Reclassification	(3)	-	48	(11)	34
Changes in scope of consolidation and other	-	2	-	45	47
Dec. 31, 2015	**(765)**	**(728)**	**(1,226)**	**(1,485)**	**(4,204)**
Depreciation and impairment	(6)	(73)	(308)	(148)	(535)
Recapture	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)**

	Trademarks	Software	Development projects (R&D)	Other	Total
NET VALUE					
Dec. 31, 2014	2,460	163	1,239	1,198	5,061
Dec. 31, 2015	2,241	151	1,252	1,082	4,726
Dec. 31, 2016	**2,308**	**123**	**1,295**	**848**	**4,574**

In 2016, change in Intangible assets is mainly related to R&D capitalized development costs for EUR348 million.

The amortization and impairment of intangible assets other than goodwill restated at statutory cash flows were as follows:

Cash impact	Dec. 31, 2016	Dec. 31, 2015
Amortization of intangible assets other than goodwill	453	551
Impairment on intangible assets other than goodwill and others	82	408
TOTAL*	**535**	**959**

* *Includes amortization & impairment of intangible assets from purchase price allocation for EUR153 million for the year 2016 and EUR572 million for the year 2015 (disclosed in note 8).*

12.2 – Trademarks

At December 31, 2016, the main trademarks recognized were as follows:

	Dec. 31, 2016	Dec. 31, 2015
APC *(IT)*	1,745	1,689
Clipsal *(Building)*	174	171
PELCO *(Building)*	158	154
Invensys – Triconex and Foxboro *(Industry)*	52	51
Digital *(Industry)*	44	42
Other	134	134
NET	**2,308**	**2,241**

The Pelco brand was impaired in the amount of EUR295 million in 2015.

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, 2014	**212**	**1,916**	**4,298**	**1,115**	**7,541**
Acquisitions	3	276	162	67	508
Disposals	(20)	(147)	(240)	(106)	(513)
Translation adjustments	11	56	115	27	209
Reclassification	9	(95)	95	(27)	(18)
Changes in scope of consolidation and other	(6)	(100)	(12)	(4)	(122)
Dec. 31,2015	**209**	**1,906**	**4,418**	**1,072**	**7,605**
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**

	Land	Buildings	Machinery and equipment	Other	Total
AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2014	**(28)**	**(918)**	**(3,236)**	**(608)**	**(4,790)**
Depreciation and impairment	(2)	(83)	(275)	(73)	(433)
Reversals	5	97	230	95	427
Translation adjustments	(1)	(26)	(86)	(21)	(134)
Reclassification	-	(4)	9	14	19
Changes in scope of consolidation and other	(3)	27	5	6	35
Dec. 31,2015	**(29)**	**(907)**	**(3,353)**	**(587)**	**(4,876)**
Depreciation and impairment	(1)	(89)	(272)	(59)	**(421)**
Reversals	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)**

	Land	Buildings	Machinery and equipment	Other	Total
NET VALUE					
Dec. 31, 2014	184	998	1,062	507	2,751
Dec. 31, 2015	180	999	1,065	485	2,729
Dec. 31, 2016	**151**	**1,012**	**1,005**	**474**	**2,642**

Reclassifications primarily correspond to assets put into use.

The cash impact of purchases of property, plant and equipment in 2016 was as follows:

Cash impact of purchases of property, plant and equipment	Dec. 31, 2016	Dec. 31, 2015
Increase in property, plant and equipment	(485)	(508)
Change in receivables and liabilities on property, plant and equipment	-	(1)
TOTAL	**(485)**	**(509)**

The depreciation and impairment of property, plant and equipment restated in the statement of cash flows were as follows:

Cash impact	Dec. 31, 2016	Dec. 31, 2015
Depreciation of property, plant and equipment	389	426
Impairment of property, plant and equipment	33	6
TOTAL	**422**	**432**

13.2 – Finance leases

Property, plant and equipment primarily include the following finance leases:

	Dec. 31, 2016	Dec. 31, 2015
Land	-	-
Buildings	11	10
Machinery and equipment	31	31
Other property, plant and equipment	2	2
Accumulated depreciation	(41)	(41)
ASSETS UNDER FINANCE LEASE	**3**	**2**

Future minimal rental commitments on finance lease properties at December 31, 2016 break down as follows:

	Minimum payments	Discounted minimum payments
Less than one year	-	-
Between one and five years	1	1
TOTAL COMMITMENTS	**1**	**-**
Discounting effect	-	-
Discounted minimum payments	**1**	**-**

13.3 – Operating leases

Rental expense breaks down as follows:

	Full year 2016	Full year 2015
Minimum rentals	112	118
Sub-lease rentals	5	6
TOTAL RENTAL EXPENSE	**117**	**124**

Operating lease commitments break down as follows at December 31, 2016:

	Minimum payments	Discounted minimum payments
Less than one year	160	158
Between one and five years	560	536
Five years and more	122	111
TOTAL COMMITMENTS	**842**	**805**
Discounting effect	(37)	
Discounted minimum payments	**805**	

NOTE 14 Investments in associates

Investments in associates can be analyzed as follows:

	% Interest		Share net assets		Net income / (Loss)	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Delixi	50.0%	50.0%	279	na	25	na
Fuji Electric FA Components & Systems	36.8%	36.8%	115	108	11	11
Sunten Electric Equipment	25.0%	40.0%	52	98	(4)	7
Custom Sensors & Technologies Topco Limited	30.0%	30.0%	77	93	(7)	93
Telvent DMS, LLC power engineering	57.0%	57.0%	40	34	3	(5)
Delta Dore Finance	20.0%	20.0%	18	17	1	1
Others	-	-	20	14	5	2
TOTAL	**-**	**-**	**601**	**364**	**34**	**109**

In 2016, the Group reconsidered the prevailing elements in the analysis of control over Delixi performed in 2014 at the transition to IFRS 10. Following this analysis, Delixi has been consolidated by the equity method as of January 1, 2016 without restatement of comparative information in respect of the impacts considered non-material.

NOTE 15 Financial assets

15.1 – Available-for-sale financial assets

Available-for-sale financial assets, primarily comprising investments, are detailed below:

		Dec. 31, 2016			Dec. 31, 2015
	% interest	Gross value	Revaluation/ impairment	Fair value	Fair value
I – LISTED AVAILABLE-FOR-SALE FINANCIAL ASSETS					
NVC Lighting	8.9%	141	(106)	35	33
Gold Peak Industries Holding Ltd	4.4%	6	(3)	3	3
Total listed AFS		**147**	**(109)**	**38**	**36**
II – UNLISTED AVAILABLE-FOR-SALE FINANCIAL ASSETS					
FCPR SEV1	100%	10	7	17	20
FCPR Aster II (part A, B and C)	43.8%	27	(4)	23	17
FCPR Growth	100%	32	-	32	29
FCPI Energy Access Ventures Fund	34.6%	4	(1)	3	-
FCPR SESS	63.1%	10	1	11	11
SICAV Livehoods Fund SIF	15.2%	3	-	3	2
Renewable Choice Energy Inc.(1)	100%	20	-	20	-
Raise Fundation	4.8%	9	-	9	9
Others(2)		10	(5)	5	4
Total unlisted AFS		**125**	**(2)**	**123**	**92**
TOTAL AVAILABLE FOR SALE FINANCIAL ASSETS		**272**	**(111)**	**161**	**128**

(1) Company purchased in 2016.
(2) Unit gross value lower than EUR3 million.

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 exclusive access to NVC Lighting's diffused and well established channels. The cumulated change in fair value of NVC Lighting investment determined on the basis of its share price and corresponding to a loss of in value of EUR106 million at closing rate was recorded.

15.2 – Other non-current financial assets

Non Current financial assets totaled EUR378 million at December 31, 2016.

15.3 – Current financial assets

Current financial assets totaled EUR30 million at December 31, 2016 and include short-term investments.

NOTE 16 Deferred taxes by type

Deferred taxes by type can be analyzed as follows:

	Dec. 31, 2016	Dec. 31, 2015
Tax credits and tax loss carryforwards (net)	947	886
Provisions for pensions and other post-retirement benefit obligations (net)	444	483
Non-deductible provisions for contingencies and accruals (net)	296	347
Differences between tax and accounting depreciation on tangible assets (net)	(116)	(110)
Differences between tax and accounting amortization on intangible assets (net)	(749)	(634)
Differences in working capital (net)	271	271
Deferred tax at other/reduced tax rates	123	125
Other deferred tax assets/(liabilities) (net)	(10)	(59)
TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)	**1,206**	**1,309**
Of which:		
Total deferred tax assets	**2,573**	**2,504**
Total deferred tax liabilities	**(1,367)**	**(1,195)**

Deferred tax assets recorded in respect of tax loss carry forwards at December 31, 2016 essentially concern France (EUR584 million) and the United States (EUR175 million).

NOTE 17 Inventories and work in progress

Inventories and work in process changed as follows:

	Dec. 31, 2016	Dec. 31, 2015
COST:		
Raw materials	1,247	1,316
Production work in process	277	304
Semi-finished and finished products	1,146	1,295
Goods	416	400
Solution work in process	154	120
INVENTORIES AND WORK IN PROCESS AT COST	**3,240**	**3,435**
IMPAIRMENT:		
Raw materials	(162)	(181)
Production work in process	(7)	(8)
Semi-finished and finished products	(176)	(187)
Goods	(11)	(14)
Solution work in process	(8)	(10)
IMPAIRMENT LOSS	**(364)**	**(400)**
NET:		
Raw materials	1,085	1,135
Production work in process	270	296
Semi-finished and finished products	970	1,108
Goods	405	386
Solution work in process	146	110
INVENTORIES AND WORK IN PROCESS, NET	**2,876**	**3,035**

NOTE 18 Trade accounts receivable

	Dec. 31, 2016	Dec. 31, 2015
Accounts receivable	5,957	6,115
Notes receivable	257	241
Advances to suppliers	123	119
Accounts receivable at cost	**6,337**	**6,475**
Impairment	(408)	(473)
Accounts receivable, net	**5,929**	**6,002**
Of which:		
On time	5,028	5,082
Less than one month past due	420	432
One to two months past due	169	203
Two to three months past due	96	99
Three to four months past due	62	69
More than four months past due	154	117
ACCOUNTS RECEIVABLE, NET	**5,929**	**6,002**

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 2016	Full year 2015
Provisions for impairment on January 1st	**(473)**	**(378)**
Additions	(35)	(109)
Utilizations	32	67
Reversals of surplus provisions	28	12
Translation adjustments	2	(11)
Other	38	(54)
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	**(408)**	**(473)**

NOTE 19 Other receivables and prepaid expenses

	Dec. 31, 2016	Dec. 31, 2015
Other receivables	342	366
Other tax credits	806	918
Derivative instruments	74	139
Prepaid expenses	285	277
TOTAL	**1,507**	**1,700**

NOTE 20 Cash and cash equivalents

	Dec. 31, 2016	Dec. 31, 2015
Marketable securities	899	1,310
Negotiable debt securities and short-term deposits	422	65
Cash and cash equivalents	1,474	1,624
Total cash and cash equivalents	**2,795**	**2,999**
Bank overdrafts	(265)	(150)
NET CASH AND CASH EQUIVALENTS	**2,530**	**2,849**

Non-recourse factoring of trade receivables was realized during the second semester of 2016 for a total amount of EUR103 million, compared with EUR130 million during the second semester of 2015.

NOTE 21 Equity

21.1 – Capital

Share capital

The company's share capital at December 31, 2016 amounted to EUR2,369,995,036, represented by 592,498,759 shares with a par value of EUR4, all fully paid up.

At December 31, 2016, a total of 632,252,239 voting rights were attached to the 592,498,759 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, 2014 were as follows:

	Cumulative number of shares	Total *(in euros)*
Capital at Dec. 31, 2014	**584,691,142**	**2,338,764,568**
Exercise of stock options	1,629,391	6,517,564
Employee share issue	2,413,939	9,655,756
Capital at Dec. 31, 2015	**588,734,472**	**2,354,937,888**
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**

The share premium account increased by EUR149,089,158 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 2016		Full year 2015	
(in thousands of shares)	Basic	Diluted	Basic	Diluted
Common shares*	561,222	561,222	568,346	568,346
Performance shares	-	5,303	-	2,877
Stock options	-	421	-	792
Weighted average number of shares	**561,222**	**566,946**	**568,346**	**572,015**

* *Net of treasury shares and own shares.*

Earnings per share

	Full year 2016		Full year 2015	
(in euros)	Basic	Diluted	Basic	Diluted
Profit before tax	4.44	4.39	3.14	3.12
EARNINGS PER SHARE	**3.12**	**3.09**	**2.47**	**2.46**

21.3 – Dividends paid and proposed

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.

In 2015, the Group paid out the 2014 dividend of EUR1.92 per share (with a nominal value of EUR4), for a total of EUR1,098 million.

At the Shareholders' Meeting of April 25, 2017, shareholders will be asked to approve a dividend of EUR2.04 per share (with a nominal value of EUR4) for fiscal year 2016. At December 31, 2016 Schneider Electric SE had distributable reserves in an amount of EUR6,231 million (*versus* EUR7,262 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, 2016:

Stock option plans

Plan no.	Date of board meeting	Type of plan[1]	Starting date of exercise period	Expiration date	Price *(in euros)*	Number of options initially granted	Options cancelled because targets not met
28	12/21/2006	S	12/21/2010	12/20/2016	38.28	2,514,240	-
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	43.23	1,889,852	887,952
31	01/05/2009	S	01/05/2013	01/04/2019	24.47	1,358,000	133,760
33	12/21/2009	S	12/21/2013	12/20/2019	35.72	1,652,686	-
TOTAL						**7,581,078**	**1,021,712**

(1) S = Options to subscribe new shares.

Rules governing the stock option plans are as follows:

- to exercise the option, the grantee must generally be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the options expire after 6 years;
- the vesting period is 3 or 4 years in the United States and 4 years in the rest of the world.

Performance shares

Plan no.	Date of board meeting	Vesting date	Expiration date	Number of shares granted originally	Grants cancelled because targets not met
10	12/17/2010	03/17/2013	03/17/2015	665,524	11,409
11	12/17/2010	12/17/2014	12/17/2014	1,161,696	17,237
10 *bis*	07/26/2011	07/26/2013	07/26/2015	3,000	48
11 *bis*	07/26/2011	07/26/2015	07/26/2015	5,882	94
12	07/26/2011	07/26/2015	07/26/2015	19,850	-
13 and 13 *bis*	12/16/2011	12/16/2013	12/16/2015	647,943	-
14 and 14 *bis*	12/16/2011	12/16/2015	12/16/2015	1,386,800	-
13 *ter*	07/27/2012	07/27/2014	07/27/2016	625	-
14 *ter*	07/27/2012	07/27/2016	07/27/2016	1,500	-
15	03/28/2013	03/28/2015	03/28/2017	645,550	-
16	03/28/2013	03/28/2017	03/28/2017	1,844,830	-
15 *bis*	10/24/2013	10/24/2015	10/26/2017	4,500	-
16 *bis*	10/24/2013	10/24/2017	10/24/2017	19,600	-
17	03/31/2014	03/31/2016	04/02/2018	714,480	83,455
18	03/31/2014	03/31/2018	04/02/2018	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	-
21 *bis*	10/28/2015	10/28/2017	10/29/2019	1,500	-
22	03/27/2015	03/27/2019	03/28/2019	2,095,610	-
22 *bis*	10/28/2015	10/28/2019	10/29/2019	32,650	-
22 *ter*	10/28/2015	10/28/2019	10/29/2019	24,570	-
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	10/26/2016	10/27/2019	35,700	-
TOTAL				**15,357,715**	**363,878**

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 2 to 4 years;
- the lock-up period is 0 to 3 years.

Outstanding options and grants

Change in the number of options

Plan no.	Number of options outstanding at Dec. 31, 2015	Number of options exercised and/or created in 2016	Number of options cancelled or restated in 2016(1)	Number of options outstanding at Dec. 31, 2016
28	615,357	(576,199)	(39,158)	-
29	53,951	(6,606)	(1,181)	46,164
30	313,628	(102,786)	11,535	222,377
31	313,134	(69,489)	13,564	257,209
33	687,069	(161,782)	27,937	553,224
TOTAL	**1,983,139**	**(916,862)**	**12,697**	**1,078,974**

(1) Including cancellations due to targets not being met or options being granted to employees without being exercised.

To exercise the options granted under plans 28 to 33, and the SARs, the grantee must generally be an employee or corporate officer of the Group. In addition, exercise of some options is generally conditional on the achievement of annual objectives based on financial indicators.

In respect of subscription vesting conditions for current stock option and performance shares plans, Schneider Electric SE has created 916,862 shares in 2016.

Change in the number of performance shares

Plan no.	Number of performance shares at Dec. 31, 2015	Number of existing or new shares grants in 2016	Number of shares cancelled in 2016	Number of shares outstanding at Dec. 31, 2016
14 *ter*	1,500	(1,500)	-	-
16	1,586,955	(350)	(23,425)	1,563,180
16 *bis*	19,100	-	-	19,100
17	706,130	(615,390)	(90,740)	-
17 *bis*	500	(445)	(55)	-
18	1,993,790	(490)	(283,025)	1,710,275
18 *bis*	30,700	(890)	(3,377)	26,433
19	14,025	-	-	14,025
20	32,725	-	-	32,725
21	714,070	(1,300)	(13,900)	698,870
21 *bis*	1,500	-	-	1,500
22	2,051,860	(24,300)	(21,200)	2,006,360
22 *bis*	32,650	-	-	32,650
22 *ter*	24,570	-	-	24,570
23	-	7,983	-	7,983
24	-	27,042	-	27,042
25	-	744,540	(1,150)	743,390
26	-	2,291,200	(17,800)	2,273,400
27	-	35,700	-	35,700
TOTAL	**7,210,075**	**2,461,800**	**(454,672)**	**9,217,203**

For performance shares to vest, the grantee must be an employee or corporate officer of the Group. In addition, vesting of some performance shares is conditional on the achievement of annual objectives based on financial indicators.

21.5.1 Valuation of performance shares

In accordance with the accounting policies described in note 1.19, the stock grant plans have been valued on the basis of an average estimated life of between 4 and 5 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 amount recorded under "Selling, general and administrative expenses" for stock grant plans set up after November 7, 2002 breaks down as follows:

	Full year 2016	Full year 2015
Plan 14 and 14 *bis*	-	5
Plan 15 and 15 *bis*	-	4
Plan 16 and 16 *bis*	16	17
Plan 17 and 17 *bis*	4	16
Plan 18 and 18 *bis*	21	21
Plan 20	1	1
Plan 21 and 21 *bis*	19	14
Plan 22, 22 *bis* and 22 *ter*	28	19
Plan 23 and 24	2	-
Plan 25	8	-
Plan 26	19	-
TOTAL	**118**	**97**

21.5.2 Worldwide Employee Stock Purchase Plan

Schneider Electric gives its employees the opportunity to become Group shareholders thanks to employee share issues. Employees in countries that meet legal and fiscal requirements have been proposed the classic plan.

Under the classic plan, employees may purchase Schneider Electric shares at a 15% to 20% discount to the price quoted for the shares on the stock market. Employees must then hold their shares for 5 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 5 years granted to an individual with an average credit rating.

As regards the first semester of 2016, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR47.86 or EUR45.04 per share, depending on the country, as part of its commitment to employee share ownership, on April 1, 2016. This represented a 15% to 20% discount to the reference price of EUR56.31 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, 2.8 million shares were subscribed, increasing the Company's capital by EUR130 million as of July 12, 2016. 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 2016 and 2015.

	Full year 2016		Full year 2015	
Non leveraged plans	**%**	**Value**	**%**	**Value**
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		56.31		68.49
Subscription price (euros):				
between		47.86		58.21
and		45.04		54.79
Discount:				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		130.0		135.0
Total amount subscribed		130.0		135.0
Total number of shares subscribed (millions of shares)		2.8		2.4
Valuation assumptions				
Interest rate available to market participant *(bullet loan)*[1]	3.5%		4.4%	
Five year risk-free interest rate (euro zone)	0.0%		0.4%	
Annual interest rate *(repo)*	1.0%		1.0%	
(a) Value of discount:				
between	15.0%	8.7	15.0%	8.3
and	20.0%	20.4	20.0%	22.0
(b) Value of the lock-up period for market participant	**23.9%**	**38.3**	**26.4%**	**43.6**
Total expense for the Group (a-b)		0		**0**
Sensitivity				
◆ decrease in interest rate for market participant[2]	(0.5%)	4.5	(0.5%)	4.8

Amounts in millions of euros, unless otherwise stated.
(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.
(2) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

21.6 – Schneider Electric SE shares

At December 31, 2016, the Group held 37,544,082 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

21.7 – Tax on equity

Total income tax recorded in Equity amounts to EUR391 million as of December 31, 2016 and can be analyzed as follows:

	Dec. 31, 2016	Dec. 31, 2015	Change in tax
Cash-flow hedges	29	41	(12)
Available-for-sale financial assets	(7)	(7)	-
Actuarial gains (losses) on defined benefits	370	311	59
Other	(1)	(1)	-
TOTAL	**391**	**344**	**47**

NOTE 22 Pensions and other post-employment benefit obligations

The Group has set up various post-employment benefit plans for employees covering pensions, termination benefits, healthcare, life insurance and other benefits, as well as long-term benefit plans for current employees, primarily long service awards and similar benefits, mainly in France, Australia and China.

Assumptions and sensitivity analysis

Actuarial valuations are generally performed each year. The assumptions used vary according to the economic conditions prevailing in the country concerned, as follows:

	Weighted average rate		*Of which US*	
	Dec. 31, 2016	**Dec. 31, 2015**	**Dec. 31, 2016**	**Dec. 31, 2015**
Discount rate	2.72%	3.75%	3.98%	4.23%
Rate of compensation increases	3.19%	3.25%	n.a	n.a
Interest income(1)	3.83%	3.60%	4.25%	3.89%

(1) Under IAS 19 revised, the rate applied in the calculation of the interest income (previously expected return on plan assets) is the discount rate at the beginning of the period.

The discount rate is determined on the basis of the interest rate for investment-grade (AA) corporate bonds or, if a liquid market does not exist, government bonds with a maturity that matches the duration of the benefit obligation. In the United States, the average discount rate is determined on the basis of a yield curve for investment-grade (AA and AAA) corporate bonds.

The discount rate currently stands at 0.90% for 10 years duration and 1.20% for 15 years duration in the euro zone, 3.98% in the United States and 2.35% in the United Kingdom.

A 0.5 point increase in the discount rate would reduce pension and termination benefit obligations by around EUR739 million and the service cost by EUR3 million. A 0.5 point decrease would increase pension and termination benefit obligations by EUR831 million and the service cost by EUR3 million.

The post-employment healthcare obligation mainly concerns the United States. A one point increase in the healthcare costs rate would increase the post-employment healthcare obligation by EUR28 million and the sum of the service cost and interest cost by EUR1 million. A one point decrease in healthcare costs rate would decrease the post-employment healthcare obligation by EUR24 million and the sum of the service cost and interest cost by EUR1 million.

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. In 2015, the rate of healthcare cost increases in the United States is based on a decreasing trend from 8.33% in 2016 to 4.5% in 2028 for pre-65 retirees and from 6.33% in 2016 to 4.5% in 2022 for post-65 retirees. The rate in France is estimated at 4% in 2015 and in 2016.

Pensions and termination benefits

Pension obligations primarily concern the Group's North American and European subsidiaries. These plans feature either a lump-sum payment on the employee's retirement or regular pension payments after retirement. The amount is based on years of service, grade and end-of-career salary. The average duration of the North American plans is 11.3 years. Pension obligations also include top-hat payments granted to certain senior executives guaranteeing supplementary retirement income beyond that provided by general, mandatory pension schemes.

The majority of benefit obligations under these plans, which represent 96% of the Group's total commitment or EUR10,619 million at December 31, 2016, 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 11%), bonds (around 82%), real estate (around 2%) and cash and others assets (around 5%).

Main contributions are primarily for the North American plans and amount to EUR53 million in 2016. They are estimated at EUR68 million for 2017, EUR53 million for 2018 and EUR88 million for 2019.

At December 31, 2016, provisions for pensions and termination benefits total EUR1,530 million, compared with EUR1,089 million in 2015. 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 EUR84 million in 2016, compared with EUR93 million in 2015.

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 9.9 years. These post-employment benefit obligations are unfunded.

Healthcare coverage for North American employees represents 70% of this obligation.

The main benefits paid in 2016 are primarily for the North American plans and amount to EUR20 million. They are estimated at EUR24 million in 2017, 2018 and 2019.

Other long-term benefit obligations include healthcare coverage plans in Europe, for EUR63 million, and long-service awards due by subsidiaries in France, for EUR14 million.

At December 31, 2016, provisions for these benefit obligations total EUR452 million, compared with EUR480 million at December 31, 2015. 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, 2014	**1,459**	**413**	**512**	**320**	**1,971**
Net cost recognized in the statement of income	49	29	36	13	85
Benefits paid	(29)	-	(44)	(17)	(73)
Plan participants' contributions	(153)	(56)	-	-	(153)
Actuarial items recognized in equity	(303)	(55)	(72)	(39)	(375)
Translation adjustment	78	46	37	36	115
Changes in the scope of consolidation	(10)	-	-	-	(10)
Other changes	(2)	-	11	-	9
Dec. 31, 2015	**1,089**	**377**	**480**	**313**	**1,569**
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**
Surplus of plans recognized as assets	**(247)**	**-**	**-**	**-**	**(247)**
Provisions recognized as liabilities	**1,777**	**-**	**452**	**-**	**2,229**

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, 2016, 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, 2014	**1,036**	**38**	**1,074**
Actuarial (gains)/losses on projected benefit obligation arising from demographic assumptions	(186)	(14)	(200)
Actuarial (gains)/losses on projected benefit obligation arising from financial assumptions	(282)	(18)	(300)
Actuarial (gains)/losses on projected benefit obligation arising from experience effects	(96)	(40)	(136)
Actuarial (gains)/losses on plan assets	150	-	150
Effect of the asset ceiling	111	-	111
Dec. 31, 2015	**733**	**(34)**	**699**
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 arising 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**

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, 2016		Dec. 31, 2015	
		Of which SE USA		*Of which SE USA*
1. Reconciliation of balance sheet items				
Pension assets	-	-	-	-
Provisions for pensions and other post-employment benefit	(1,530)	(424)	(1,089)	(377)
NET ASSET/(LIABILITY) RECOGNIZED IN THE BALANCE SHEET	**(1,530)**	**(424)**	**(1,089)**	**(377)**

	Full year 2016		Full year 2015	
		Of which SE USA		*Of which SE USA*
2. Components of net cost recognized in the statement of income				
Service cost	39	-	47	4
Past service cost	(14)	-	(35)	-
Curtailments and settlements	-	-	(27)	-
Interest cost (effect of discounting on obligation and plan assets)	373	61	404	61
Interest income	(314)	(35)	(340)	(36)
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**84**	**26**	**49**	**29**

	Full year 2016		Full year 2015	
		Of which SE USA		*Of which SE USA*
3. Change in projected benefit obligation				
Projected benefit obligation at beginning of year	10,785	1,492	10,925	1,427
Service cost	39	-	47	4
Past service cost/Curtailments and Settlements	(101)	(87)	(109)	-
Interest cost (effect of discounting)	365	61	399	61
Plan participants' contributions	5	-	5	-
Benefits paid	(562)	(70)	(668)	(70)
Changes in the scope of consolidation	(4)	-	(10)	-
Actuarial (gains)/losses recognized in equity	1,447	64	(564)	(91)
Translation adjustments	(889)	48	760	161
Other	-	-	-	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**11,085**	**1,508**	**10,785**	**1,492**

Plan changes occurred in Switzerland and the United States.

Actuarial gains and losses have been fully recognized in other reserves. They stem mainly from changes in financial actuarial assumptions (primarily discount rates) used to measure obligations in the United States, the United Kingdom and the euro zone.

At December 31, 2016, actuarial losses resulting from changes in financial assumptions on pension and termination benefit obligations totaled EUR1,501 million for the Group compared to EUR282 million of gains at December 31, 2015. At December 31, 2016, the losses resulting from changes in demographic assumptions on pension and termination benefit obligations totaled EUR23 million for the Group compared to EUR186 million of gains at December 31, 2015.

At December 31, 2016, actuarial gains relative to the effects of experience on pension and termination benefit obligations totaled EUR77 million for the Group compared to EUR96 million of gains at December 31, 2015.

	Full year 2016		Full year 2015	
		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	9,941	1,115	9,589	1,014
Interest income	314	35	340	36
Plan participants' contribution	5	-	5	-
Employer contributions	104	40	153	56
Benefits paid	(533)	(70)	(639)	(70)
Actuarial gains/(losses) recognized in equity	919	17	(150)	(36)
Changes in the scope of consolidation	-	-	-	-
Translation adjustments	(975)	34	688	115
Curtailments and settlements	(87)	(87)	(47)	-
Other	-	-	2	-
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**9,688**	**1,084**	**9,941**	**1,115**

At December 31, 2016, the actual return on plan assets is EUR1,233 million compared with EUR190 million at December 31, 2015.

Actuarial gains and losses have been fully recognized in other reserves.

	Full year 2016		Full year 2015	
		Of which SE USA		*Of which SE USA*
5. Funded status				
Projected benefit obligation	(11,085)	(1,508)	(10,785)	(1,492)
Fair value of plan assets	9,688	1,084	9,941	1,115
Surplus/(Deficit)	(1,397)	(424)	(844)	(377)
Effect of the asset ceiling	(133)	-	(245)	-
Deferred items:				
Unrecognized past service cost	-	-	-	-
(LIABILITIES)/NET ASSETS RECOGNIZED IN THE BALANCE SHEET	**(1,530)**	**(424)**	**(1,089)**	**(377)**

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 2016	Full year 2015
1. Components of net cost recognized in the statement of income		
Service cost	9	20
Interest cost (effect of discounting)	15	16
Interest income	-	-
Past service cost	(20)	-
Curtailments and settlements	-	-
Amortization of actuarial gains & losses	3	-
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**7**	**36**

	Full year 2016	Full year 2015
2. Change in projected benefit obligation		
Projected benefit obligation at beginning of year	480	512
Service cost	9	20
Interest cost (effect of discounting)	15	16
Plan participants' contribution	-	-
Benefits paid	(35)	(44)
Actuarial (gains)/losses recognized in equity	(13)	(72)
Past service cost	(20)	-
Changes in the scope of consolidation	3	11
Translation adjustments	10	37
Other (including curtailments and settlements)	3	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**452**	**480**

Plan changes occurred in the 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, 2016, actuarial gains relative to the effects of experience on healthcare costs, life insurance and other post-employment benefits totaled EUR35 million for the Group compared to EUR40 million of gains at December 31, 2015.

	Dec. 31, 2016	Dec. 31, 2015
3. Funded status		
Projected benefit obligation	(452)	(480)
Deferred items:		
Unrecognized past service cost	-	-
PROVISION RECOGNIZED IN BALANCE SHEET	**(452)**	**(480)**

NOTE 23 Provisions

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2014	**711**	**87**	**446**	**308**	**127**	**547**	**2,226**
Long-term portion	*450*	*60*	*149*	*283*	*19*	*288*	*1,249*
Additions	171	11	132	9	133	96	552
Discounting effect	-	-	-	-	-	-	-
Utilizations	(65)	(26)	(111)	(17)	(97)	(144)	(460)
Reversals of unused provisions	(94)	(1)	(29)	(3)	(19)	(19)	(165)
Translation adjustments	23	11	15	29	1	42	121
Changes in the scope of consolidation and other	104	47	6	22	(2)	108	285
Dec. 31, 2015	**850**	**129**	**459**	**348**	**143**	**630**	**2,559**
Long-term portion	*591*	*106*	*175*	*335*	*16*	*436*	*1,659*
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*

(a) Economic risks

These provisions cover, in particular, tax risks arising from audits performed by local tax authorities and financial risks arising primarily on guarantees given to third parties in relation to certain assets and liabilities.

(b) Customer risks

These provisions are primarily established to cover risks arising from products sold to third parties. This risk consists of claims based on alleged product defects and product liability.

Provisions for customer risks also integrate the provisions for losses at completion for some of long-term contracts, for EUR103 million.

(c) Product risks

These provisions comprise:

- statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance;
- provisions for disputes over defective products;
- provisions to cover disputes related to recalls of clearly identified products.

(d) Environmental risks

These provisions are primarily funded to cover cleanup costs.

(e) Reconciliation with cash flow statement

The increase and decrease in provisions retreated at statutory cash flow were as follows:

	Dec. 31, 2016	Dec. 31, 2015
Increase of provision	601	552
Utilization of provision	(506)	(460)
Reversal of surplus provision	(170)	(165)
Provision variance including tax provisions but excluding employee benefit obligation	**(75)**	**(73)**
(Tax provisions net variance)	(61)	21
Provision variance excluding tax provisions and pension benefit obligation	**(136)**	**(52)**
Employee benefit obligation net variance excluding contribution to plan assets	24	(30)
Increase/(decrease) in provisions in cash-flow statement	**(112)**	**(82)**

NOTE 24 Total (current and non-current) financial liabilities

Non-current financial liabilities break down as follows:

	Dec. 31, 2016	Dec. 31, 2015
Bonds	6,746	6,588
Bank and other borrowings	240	371
Lease liabilities	1	2
Employee profit sharing	5	7
Short-term portion of convertible and non-convertible bonds	(1,025)	(669)
Short-term portion of long-term debt	(201)	(164)
NON-CURRENT FINANCIAL LIABILITIES	**5,766**	**6,135**

Current financial liabilities break down as follows:

	Dec. 31, 2016	Dec. 31, 2015
Commercial paper	65	-
Accrued interest	75	81
Other short-term borrowings	223	431
Drawdown of funds from lines of credit	-	-
Bank overdrafts	265	150
Short-term portion of convertible and non-convertible bonds	1,025	669
Short-term portion of long-term debt	201	164
SHORT-TERM DEBT	**1,853**	**1,495**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**7,619**	**7,630**
CASH AND CASH EQUIVALENTS (SEE NOTE 20)	**(2,795)**	**(2,999)**
NET DEBT	**4,824**	**4,631**

24.1 – Breakdown by maturity

	Dec. 31, 2016			Dec. 31, 2015
	Nominal	Interests	*Swaps*	Nominal
2016	-	-		1,495
2017	1,855	155		1,202
2018	795	110		774
2019	498	93		499
2020	498	84		499
2021	598	69		597
2022	755	53		731
2023	794	32		793
2024 and beyond	1,826	26		1,040
TOTAL	**7,619**	**620**		**7,630**

24.2 – Breakdown by currency

	Dec. 31, 2016	Dec. 31, 2015
Euro	6,277	5,901
US Dollar	899	1,197
Japanese Yen	109	264
Chinese Yuan	-	43
Indian Rupee	40	27
Indonesian Rupiah	25	27
Australian Dollar	11	17
Brazilian Real	-	3
Russian Rouble	129	2
Other	129	149
TOTAL	**7,619**	**7,630**

24.3 – Bonds

	Dec. 31, 2016	Dec. 31, 2015	Effective interest rate	Maturity
Schneider Electric SE 2016		669	Euribor +0.600% variable and 0.849%, 0.846%, 2.875% fixed	July, November, December 2016
Schneider Electric SE 2017	1,025	1,016	4.000% fixed	August 2017
Schneider Electric SE 2018	748	747	3.750% fixed	July 2018
Schneider Electric SE 2019	498	498	3.500% fixed	January 2019
Schneider Electric SE 2020	498	497	3.625% fixed	July 2020
Schneider Electric SE 2021	598	597	2.500% fixed	September 2021
Schneider Electric SE 2022	756	731	2.950% fixed	September 2022
Schneider Electric SE 2023	794	793	1.500% fixed	September 2023
Schneider Electric SE 2024	789	-	0.250% fixed	September 2024
Schneider Electric SE 2025	1,041	1,040	0.875%, 1.841% fixed	October 2025
TOTAL	**6,746**	**6,588**		

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, 2016 are as follow:
  - 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,
  - EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million 12-year tranche, maturing in August 2017, at a rate of 4%, issued in August 2005, raising the total issue to EUR1.03 billion,
  - EUR180 million worth of bonds issued in April 2008 to top up the EUR600 million 12-year tranche, at a rate of 4%, issued in August 2005, raising the total issue to EUR780 million,
  - EUR600 million worth of bonds issued in August 2005, at a rate of 4%, maturing in August 2017.

For all those transactions, issue premium and issue costs are amortized according to the effective interest rate method.

24.4 – Other information

At December 31, 2016 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, 2016	Dec. 31, 2015
Debt on Luminous valuation	130	125
Other	12	22
OTHER NON-CURRENT LIABILITIES	**142**	**147**

The debt on Luminous valuation corresponds to the Group commitments on the non-controlling 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, 2016			Breakdown by category		
	Fair Value	Fair value through P&L	Fair value through equity	Available-for-sale financial assets	Loans and accounts receivable	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.

The impact of financial instruments, by category, on profit and equity was as follows:

- the main impact on profit concerned interest income and expense;
- the impact on equity primarily stemmed from the measurement of available-for-sale financial assets and derivative instruments at fair value and from translation adjustments of foreign currency loans, receivables and liabilities.

	Dec. 31, 2015		Breakdown by category			
	Fair Value	**Fair value through P&L**	**Fair value through equity**	**Available-for-sale financial assets**	**Loans and accounts receivable**	**Financial liabilities measured at amortized cost**
ASSETS						
Available-for-sale financial assets	128	-	-	128	-	-
Other non-current financial assets	568	-	-	-	568	-
TOTAL NON-CURRENT ASSETS	**696**	**-**	**-**	**128**	**568**	**-**
Trade accounts receivable	6,002	-	-	-	6,002	-
Current financial assets	43	43	-	-	-	-
Marketable securities	1,310	1,310	-	-	-	-
Derivative instruments – foreign currencies	126	124	2	-	-	-
Derivative instruments – interest rates	-	-	-	-	-	-
Derivative instruments – commodities	-	-	-	-	-	-
Derivative instruments – shares	13	17	(4)	-	-	-
TOTAL CURRENT ASSETS	**7,494**	**1,494**	**(2)**	**-**	**6,002**	**-**
LIABILITIES						
Long-term portion of bonds*	(6,217)	-	-	-	-	(6,217)
Other long-term debt	(216)	-	-	-	-	(216)
TOTAL NON-CURRENT LIABILITIES	**(6,433)**	**-**	**-**	**-**	**-**	**(6,433)**
Short-term portion of bonds*	(681)	-	-	-	-	(681)
Short-term debt	(826)	-	-	-	-	(826)
Trade accounts payable	(4,284)	-	-	-	-	(4,284)
Other	(34)	-	-	-	-	(34)
Derivative instruments – foreign currencies	(214)	(202)	(12)	-	-	-
Derivative instruments – interest rates	-	-	-	-	-	-
Derivative instruments – commodities	(12)	-	(12)	-	-	-
Derivative instruments – shares	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**(6,051)**	**(202)**	**(24)**			**(5,825)**

(*) The majority of financial instruments listed in the balance sheet are accounted at fair value, except for bonds, for which the amortized cost in the balance sheet represents EUR6,588 million compared to EUR6,898 million at fair value.

26.2 – Fair value hierarchy

Financial assets and liabilities can be classified at fair value following the hierarchy levels below:

- 1. market value (non-adjusted) on active markets, for similar assets and liabilities, which the company can obtain on a given valuation date;
- 2. data other than the market rate available for level 1, which are directly or indirectly observable on the market;
- 3. data on the asset or liability that are not observable on the market.

	Dec. 31, 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.

	Dec. 31, 2015				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
ASSETS					
Available-for-sale financial assets	128	128	36	-	92[(1)]
Marketable securities	1,310	1,310	1,310	-	-
Derivative instruments	139	139	-	139	-
LIABILITIES					
Bonds	(6,588)	(6,898)	(6,898)	-	-
Other long-term debt	(216)	(216)	-	-	(216)
Other current liabilities	(5,144)	(5,144)	-	-	(5,144)
Derivative instruments	(226)	(226)	-	(226)	-

(1) Unlisted available-for-sale financial assets are tested once a year and impaired when necessary.

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 affiliates are considered as net investment according to IAS 21.

Dec. 31, 2016	Carrying amount	Nominal amount Sale	Nominal amount Purchase
Cash flow hedges	(74)	411	867
Net investment hedges	12	1,257	-
Trading	(86)	4,780	3,209
	(148)	**6,348**	**4,076**

Dec. 31, 2015	Carrying amount	Nominal amount Sale	Nominal amount Purchase
Cash flow hedges	(96)	194	1,074
Net investment hedges	(14)	1,217	-
Trading	22	5,626	3,431
	(88)	**7,037**	**4,505**

We manage our exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates through hedging programs relating to receivables, payables and cash flows, which are primarily hedged by means of forward purchases and sales. Depending on market conditions, risks in the main currencies may be hedged based on cash flow forecasting using contracts that expire in 12 months or less. Schneider Electric's currency hedging policy is to protect its subsidiaries against risks on all transactions denominated in a currency other than their functional currency.

In 2016, the Net Investment Hedge has been recycled from Other Comprehensive Income to Profit & Loss for EUR34 million.

Positions of futures hedges of balance sheet items and net investment by currency:

	Dec. 31, 2016 Sales	Dec. 31, 2016 Purchases	Dec. 31, 2016 Net
USD	4,110	(1,566)	2,544
GBP	405	(31)	374
SGD	466	(233)	233
BRL	7	(213)	(206)
CNY	152	(701)	(549)
HKD	220	(31)	189
AED	172	(63)	109
HUF	57	(97)	(40)
IDR	29	(60)	(31)
SEK	8	(184)	(176)
CAD	66	(27)	39
NOK	97	(4)	93
DKK	9	(81)	(72)
AUD	162	(540)	(378)
RUB	67	-	67
CHF	22	(108)	(86)
SAR	49	(14)	35
ZAR	55	(4)	51
Others	197	(116)	80
TOTAL	**6,348**	**(4,072)**	**2,276**

These forward currency hedging positions include EUR1,434 million in hedges of loans and borrowings of a financial nature (net sales) and EUR842 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 in order 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 2016.

26.3.3 Raw material hedges

The Group is exposed to fluctuations in energy and raw material prices, in particular steel, copper, aluminum, silver, lead, nickel, zinc and plastics. If we are not able to hedge, compensate for or pass on to customers any such increased costs, this could have an adverse impact on our financial results. The Group has, however, implemented certain procedures to limit exposure to rising non-ferrous and precious raw material prices. The Purchasing Departments of the operating units report their purchasing forecasts to the Corporate Finance and Treasury Department. Purchase commitments are hedged using forward contracts, swaps and, to a lesser extent, options.

All commodities instruments are futures and options designated as cash flow hedge under IFRS standards, of which:

	Dec. 31, 2016	Dec. 31, 2015
Carrying amount	9	(13)
Nominal amount	(159)	(158)

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 follows:

	Dec. 31, 2016	Dec. 31, 2015
Outstanding shares	629,447	795,312
Carrying amount	16	14
Nominal amount	(27)	(35)

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, 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)

	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
Dec. 31, 2015	**Gross amounts**	**Gross amounts offset in the statement of financial position**	**Net amounts presented in the statement of financial position**	**Related amount not offset in the statement of financial position**	**Net amount, as per IFRS 7**
Financial assets	1,855	1,716	139	58	81
Financial liabilities	(2,081)	(1,716)	(365)	(58)	(307)

NOTE 27 Employees

27.1 – Employees

The average number of permanent and temporary employees was as follows in 2015 and 2016:

(number of employees)	**2016**	**2015**
Production	93,052	97,925
Administration	77,814	83,437
TOTAL AVERAGE NUMBER OF EMPLOYEES	**170,866**	**181,362**
By region:		
EMEAS*	76,228	81,737
North America	30,978	32,990
Asia-Pacific	63,660	66,635

* *Europe, Middle-East, Africa, South America.*

The decrease in the average number of employees is primarily linked to 2016 disposals.

27.2 – Employee benefits expense

	Full year 2016	**Full year 2015**
Payroll costs	(6,079)	(6,720)
Profit-sharing and incentive bonuses	(67)	(53)
Stock options	(118)	(97)
EMPLOYEE BENEFITS EXPENSE	**(6,264)**	**(6,870)**

27.3 – Benefits granted to senior executives

In 2016, the Group paid EUR1.4 million in attendance fees to the members of its board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2016 by the Group to the members of Senior Management, excluding executive directors, totaled EUR19.3 million, of which EUR5.2 million corresponded to the variable portion.

During the last three periods, 751,095 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 2016 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 EUR24 million at December 31, 2016 *versus* EUR10 million at December 31, 2015.

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 2016.

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, 2016	Dec. 31, 2015
Market counter guarantees[(1)]	3,075	3,431
Pledges, mortgages and sureties[(2)]	7	166
Other commitments given[(3)]	353	301
GUARANTEES GIVEN	**3,435**	**3,898**
Endorsements and guarantees received	75	89
GUARANTEES RECEIVED	**75**	**89**

(1) On certain contracts, customers require a guarantee from a bank that the contract will be fully executed by the Group. For these contracts the Group gives a counter guarantee to the bank. If a claim occurs, the risk linked to the commitment is assessed and a provision for contingencies is recorded when the risk is considered probable and can be reasonably estimated.
(2) Certain loans are secured by property, plant and equipment and securities lodged as collateral.
(3) Other guarantees given comprise guarantees given in rental payments.

29.2 – Purchase commitments

Shares in subsidiaries and affiliates

Commitments to purchase equity investments correspond to put options given to minority shareholders in consolidated companies or relate to earn-out payments. At December 31, 2016, there is one material put related to the 26% interests in Luminous that was valued for an amount of EUR130 million as other non-current liabilities, which is the amount paid for the definitive acquisition of the 26% interests, completed on January 24, 2017.

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

On January 24th, 2017, the Group announced the acquisition of the remaining 26% of Luminous share capital for an amount of EUR130 million.

NOTE 31 Statutory auditors' fees

Fees paid by the Group to the statutory auditors and their networks:

	Full year 2016				
(in thousands of euros)	**Ernst & Young**	**%**	**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**

	Full year 2015				
(in thousands of euros)	**Ernst & Young**	**%**	**Mazars**	**%**	**Total**
Audit					
Statutory auditing	9,325	60%	8,287	98%	17,612
o/w Schneider Electric SE	*133*		*118*		
o/w subsidiaries	*9,192*		*8,169*		
Related services	5,716	37%	147	2%	5,863
o/w Schneider Electric SE	-		-		
o/w subsidiaries	*5,716*		*147*		
Audit sub-total	**15,041**	**97%**	**8,434**	**100%**	**23,475**
Other legal, tax services	535	3%	27	-	562
TOTAL FEES	**15,576**	**100%**	**8,461**	**100%**	**24,037**

NOTE 32 Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below.

		% Interest Dec. 31, 2016	% Interest Dec. 31, 2015
Europe			
Fully consolidated			
Schneider Electric Austria GmbH	Austria	100.0	100.0
Schneider Electric Power Drives GmbH	Austria	100.0	100.0
Eurotherm GmbH	Austria	100.0	100.0
Invensys Systems GmbH	Austria	100.0	100.0
Schneider Electric Bel	Belarus	100.0	0.0
Schneider Electric Energy Belgium SA	Belgium	100.0	100.0
Schneider Electric NV/SA	Belgium	100.0	100.0
Schneider Electric Services International SPRL	Belgium	100.0	100.0
Summit Energy International BVBA	Belgium	100.0	100.0
Invensys Systems NV/SA	Belgium	100.0	100.0
Schneider Electric Bulgaria EOOD	Bulgaria	100.0	100.0
Schneider Electric d.o.o.	Croatia	100.0	100.0
Schneider Electric A.S.	Czech Republic	98.3	98.3
Schneider Electric CZ s.r.o.	Czech Republic	100.0	100.0
Invensys Systems s.r.o.	Czech Republic	100.0	100.0
Ørbaekvej 280 A/S	Denmark	100.0	100.0
Schneider Electric Danmark A/S	Denmark	100.0	100.0
Schneider Electric IT Denmark ApS	Denmark	100.0	100.0
Schneider Nordic Baltic A/S	Denmark	100.0	100.0
Schneider Electric EESTI	Estonia	100.0	100.0
Oy Lexel Finland Ab	Finland	0.0	100.0
Schneider Electric Fire & Security OY*	Finland	100.0	100.0
Schneider Electric Finland OY	Finland	100.0	100.0
Vamp OY	Finland	100.0	100.0
Foxboro OY	Finland	100.0	100.0
Schneider Electric Protection et Contrôle SAS	France	100.0	100.0
BCV Technologies SAS	France	100.0	100.0
Boissière Finance SNC	France	100.0	100.0
Behar Sécurité	France	100.0	0.0
Construction Electrique du Vivarais SAS	France	100.0	100.0
D5X	France	100.0	100.0
Dinel SAS	France	100.0	100.0
Energy Pool Developpement	France	0.0	100.0
Epsys SAS	France	100.0	100.0
France Transfo SAS	France	100.0	100.0
Infraplus SAS	France	100.0	100.0
Merlin Gerin Alès SAS	France	100.0	100.0
Merlin Gerin Alpes SAS	France	0.0	100.0

		% Interest Dec. 31, 2016	% Interest Dec. 31, 2015
Merlin Gerin Loire SAS	France	100.0	100.0
Schneider Electric IT France	France	100.0	100.0
Muller & Cie SA	France	100.0	100.0
Newlog SAS	France	100.0	100.0
Prodipact SAS	France	100.0	100.0
Rectiphase SAS	France	100.0	100.0
Sarel – Appareillage Electrique SAS	France	99.0	99.0
Scanelec SAS	France	100.0	100.0
Schneider Automation SAS	France	0.0	100.0
Schneider Electric Energy France SAS	France	100.0	100.0
Schneider Electric France SAS	France	100.0	100.0
Schneider Electric Holding Amérique du Nord SAS	France	100.0	100.0
Schneider Electric Industries SAS	France	100.0	100.0
Schneider Electric International SAS	France	100.0	100.0
Schneider Electric Manufacturing Bourguebus SAS	France	100.0	100.0
Schneider Electric SE (Holding Company)	France	100.0	100.0
Schneider Electric Telecontrol SAS	France	100.0	100.0
Schneider Toshiba Inverter Europe SAS	France	60.0	60.0
Schneider Toshiba Inverter SAS	France	60.0	60.0
Société d'Appareillage Électrique Gardy SAS	France	100.0	100.0
Société d'Application et d'Ingénierie Industrielle et Informatique SAS – SA3I	France	100.0	100.0
Société Électrique d'Aubenas SAS	France	100.0	100.0
Société Française de Construction Mécanique et Électrique SA	France	100.0	100.0
Société Française Gardy SA	France	100.0	100.0
Systèmes Équipements Tableaux Basse Tension SAS	France	100.0	100.0
Transfo Services SAS	France	100.0	100.0
Transformateurs SAS	France	100.0	100.0
Eckardt	France	100.0	100.0
Eurotherm Automation SASU	France	100.0	100.0
Invensys Systems France SASU	France	100.0	100.0
Elso GmbH	Germany	100.0	100.0
Merten GmbH	Germany	100.0	100.0
Merten Holding GmbH	Germany	0.0	100.0
Schneider Electric Automation Deutschland GmbH	Germany	100.0	100.0
Schneider Electric Automation GmbH	Germany	100.0	100.0
Schneider Electric Deutschland GmbH	Germany	100.0	100.0
Schneider Electric GmbH	Germany	100.0	100.0
Schneider Electric Motion Real Estate GmbH	Germany	100.0	100.0
Schneider Electric Sachsenwerk GmbH	Germany	100.0	100.0
Telvent Deutschland GmbH	Germany	100.0	100.0
Eberle Controls GmbH	Germany	100.0	100.0
Foxboro-Eckardt GmbH	Germany	100.0	100.0
Invensys Systems GmbH (Germany)	Germany	100.0	100.0

		% Interest Dec. 31, 2016	% Interest Dec. 31, 2015
Siebe Metallwerke GmbH	Germany	100.0	100.0
Indusoft Germany GmbH	Germany	100.0	100.0
Schneider Electric AEBE	Greece	100.0	100.0
CEE Schneider Electric Közep-Kelet Europai KFT	Hungary	100.0	100.0
Schneider Electric Energy Hungary Ltd	Hungary	100.0	100.0
Schneider Electric Hungaria Villamossagi ZRT	Hungary	100.0	100.0
APC (EMEA) Ltd	Ireland	100.0	100.0
Schneider Electric Ireland	Ireland	100.0	100.0
Schneider Electric IT Logistics Europe Ltd	Ireland	100.0	100.0
Validation technologies (Europe) Ltd	Ireland	100.0	100.0
Schneider Electric Industrie Italia SpA	Italy	100.0	100.0
Schneider Electric SpA	Italy	100.0	100.0
Uniflair SpA	Italy	100.0	100.0
Foxboro Scada S.r.l.	Italy	100.0	100.0
Eliwell Controls S.r.l.	Italy	100.0	100.0
Eurotherm S.r.l.	Italy	100.0	100.0
Invensys Systems Italia SpA	Italy	100.0	100.0
Wonderware Italia SpA	Italy	100.0	100.0
Lexel Fabrika SIA	Latvia	100.0	100.0
Schneider Electric Baltic Distribution Center	Latvia	100.0	100.0
Schneider Electric Latvija SIA	Latvia	100.0	100.0
UAB Schneider Electric Lietuva	Lithuania	100.0	100.0
Industrielle de Réassurance SA	Luxembourg	100.0	100.0
American Power Conversion Corp (APC) B.V.	Netherlands	100.0	100.0
APC Holdings B.V.	Netherlands	100.0	100.0
APC International Corporation B.V.	Netherlands	100.0	100.0
APC International Holdings B.V.	Netherlands	100.0	100.0
Pelco Europe B.V.	Netherlands	100.0	100.0
Pro-Face HMI B.V. (sub-group)	Netherlands	100.0	100.0
Schneider Electric B.V.	Netherlands	100.0	100.0
Schneider Electric Logistic Centre B.V.	Netherlands	100.0	100.0
Schneider Electric Manufacturing The Netherlands B.V.	Netherlands	100.0	100.0
Invensys Systems N.V.	Netherlands	100.0	100.0
Telvent Netherlands B.V.	Netherlands	100.0	100.0
ELKO A.S.	Norway	100.0	100.0
Lexel Holding Norgue A.S.	Norway	100.0	100.0
Schneider Electric Norge A.S.	Norway	100.0	100.0
Eurotherm A.S.	Norway	100.0	100.0
Elda Eltra Elektrotechnika SA (Eltra SA)	Poland	100.0	100.0
Schneider Electric Energy Poland Sp. z.o.o.	Poland	100.0	100.0
Schneider Electric Industries Polska SP	Poland	100.0	100.0
Schneider Electric Polska SP	Poland	100.0	100.0
Invensys Eurotherm Sp. z.o.o.	Poland	100.0	100.0
Invensys Systems Sp. z.o.o.	Poland	100.0	100.0

		% Interest Dec. 31, 2016	% Interest Dec. 31, 2015
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 Schneider Electric Zavod Electromonoblock	Russia	100.0	100.0
OOO Potential	Russia	100.0	100.0
ZAO Schneider Electric	Russia	100.0	100.0
ZAO Gruppa Kompaniy Electroshield	Russia	100.0	100.0
Schneider Electric URAL LLC	Russia	100.0	100.0
Invensys Process Systems LLC	Russia	100.0	100.0
Schneider Electric Srbija d.o.o. Beograd	Serbia	100.0	100.0
Schneider Electric Slovakia Spol s.r.o.	Slovakia	100.0	100.0
Invensys Systems (Slovakia) s.r.o.	Slovakia	100.0	100.0
Schneider Electric d.o.o.	Slovenia	100.0	100.0
Manufacturas Electricas SA	Spain	100.0	100.0
Schneider Electric IT, Spain SL	Spain	100.0	100.0
Schneider Electric Espana SA	Spain	100.0	100.0
Telvent Arce Sistemas, SA	Spain	0.0	100.0
Telvent Energia SA	Spain	0.0	100.0
Telvent GIT SA	Spain	0.0	100.0
Telvent Servicios Compartidos SA	Spain	0.0	100.0
Telvent Trafico y Transporte SA	Spain	0.0	100.0
AST Modular, SL	Spain	100.0	100.0
Invensys Operations Management Espana SLU	Spain	100.0	100.0
AB Crahftere 1	Sweden	100.0	100.0
AB Wibe	Sweden	100.0	100.0
Elektriska AB Delta	Sweden	100.0	100.0
Elko AB	Sweden	100.0	100.0
Lexel AB	Sweden	100.0	100.0
Schneider Electric Buildings AB	Sweden	100.0	100.0
Schneider Electric Distribution Centre AB	Sweden	100.0	100.0
Schneider Electric Sverige AB	Sweden	100.0	100.0
Telvent Sweden AB	Sweden	100.0	100.0
Thorsman & Co AB	Sweden	100.0	100.0
Eurotherm AB	Sweden	100.0	100.0
Wonderware Scandinavia AB	Sweden	100.0	100.0
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100.0	100.0
Schneider Electric (Schweiz) AG	Switzerland	100.0	100.0
Eurotherm-Produkte (Schweiz) AG	Switzerland	100.0	100.0
Schneider Electric Ukraine	Ukraine	100.0	100.0
Andromeda Telematics Ltd	United Kingdom	100.0	100.0
CBS Group Ltd	United Kingdom	100.0	100.0
Schneider Electric (UK) Ltd	United Kingdom	100.0	100.0
Schneider Electric Buildings UK Ltd	United Kingdom	100.0	100.0

		% Interest Dec. 31, 2016	% Interest Dec. 31, 2015
Schneider Electric IT UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Ltd	United Kingdom	100.0	100.0
Serck Control and Safety Ltd	United Kingdom	100.0	100.0
M&C Energy Group Ltd	United Kingdom	100.0	100.0
Samos Acquisition Company Ltd	United Kingdom	100.0	100.0
BTR International Ltd	United Kingdom	100.0	100.0
BTR Property Holdings Ltd	United Kingdom	100.0	100.0
Imserv Europe Ltd	United Kingdom	100.0	100.0
Invensys Controls UK Ltd	United Kingdom	100.0	100.0
Invensys Holdings Ltd	United Kingdom	100.0	100.0
Invensys Systems (UK) Ltd	United Kingdom	100.0	100.0
Eurotherm Ltd (UK)	United Kingdom	100.0	100.0
Spiral Software Ltd	United Kingdom	100.0	100.0
Accounted for by equity method			
Aveltys	France	51.0	51.0
Delta Dore Finance SA (sub-group)	France	20.0	20.0
Energy Pool Developpement	France	27.8	0.0
Schneider Lucibel Managed Services SAS	France	47.0	0.0
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
Viconics Technologies Inc.	Canada	100.0	100.0
Schneider Electric Systems Canada Inc.	Canada	100.0	100.0
Industrias Electronicas Pacifico, S.A. de C.V.	Mexico	100.0	100.0
Schneider Electric IT Mexico S.A. de C.V.	Mexico	100.0	100.0
Ram Tech Services S de R.L. de C.V.	Mexico	0.0	100.0
Schneider Electric Mexico S.A. de C.V.	Mexico	100.0	100.0
Schneider Industrial Tlaxcala S.A. de C.V.	Mexico	100.0	100.0
Schneider Mexico S.A. de C.V.	Mexico	100.0	100.0
Schneider R&D, S.A. de C.V.	Mexico	100.0	100.0
Square D Company Mexico, S.A. de C.V.	Mexico	100.0	100.0
Telvent Mexico S.A. de C.V.	Mexico	99.3	99.3
Electronica Reynosa S de R.L. de C.V.	Mexico	100.0	100.0
Invensys Group Services Mexico	Mexico	100.0	100.0
Schneider Electric Systems Mexico, S.A. de C.V.	Mexico	100.0	100.0
Adaptive Instruments Corp.	USA	100.0	100.0
Applied Instrument Technologies Inc.	USA	100.0	0.0
Schneider Electric IT America Corp.	USA	100.0	100.0

		% Interest Dec. 31, 2016	% Interest Dec. 31, 2015
Schneider Electric IT Corporation	USA	100.0	100.0
American Power Conversion Holdings Inc.	USA	100.0	100.0
Lee Technologies Puerto Rico, LLC	USA	100.0	100.0
Schneider Electric IT Mission Critical Services, Inc.	USA	100.0	100.0
Pelco, Inc.	USA	100.0	100.0
Power Measurement Inc.	USA	100.0	100.0
Pro-Face America, LLC	USA	100.0	100.0
Schneider Electric Buildings Americas, Inc.	USA	100.0	100.0
Schneider Electric Buildings Critical Systems, Inc.	USA	100.0	100.0
Schneider Electric Buildings, LLC	USA	100.0	100.0
Schneider Electric Engineering Services, LLC	USA	100.0	100.0
Schneider Electric Solar Inverters USA, Inc.	USA	100.0	100.0
Schneider Electric Holdings Inc.	USA	100.0	100.0
Schneider Electric Investments 2, Inc.	USA	100.0	100.0
Schneider Electric Motion USA, Inc.	USA	100.0	100.0
Schneider Electric USA, Inc.	USA	100.0	100.0
SE Vermont Ltd	USA	100.0	100.0
SNA Holdings Inc.	USA	100.0	100.0
Square D Investment Company	USA	100.0	100.0
Summit Energy Services, Inc.	USA	100.0	100.0
Telvent DTN, LLC	USA	100.0	100.0
Telvent USA, LLC	USA	100.0	100.0
Veris Industries LLC	USA	100.0	100.0
AST North America, LLC	USA	100.0	100.0
Invensys LLC	USA	100.0	100.0
Schneider Electric Systems USA, Inc.	USA	100.0	100.0
Siebe Inc.	USA	100.0	100.0
Stewart Warner Corporation	USA	100.0	100.0
Foxboro Controles SA	USA	100.0	100.0
Indusoft, Inc.	USA	0.0	100.0
InStep Software, LLC	USA	0.0	100.0
Schneider Electric Software, LLC	USA	100.0	100.0
Asia-Pacific			
Fully consolidated			
Schneider Electric IT Australia Pty. Limited	Australia	100.0	100.0
Clipsal Integrated Systems Pty. Limited	Australia	100.0	100.0
Clipsal Technologies Australia Pty. Limited	Australia	100.0	100.0
Control Microsystems Asia Pacific Pty. Ltd	Australia	100.0	100.0
Nu-Lec Industries Pty. Ltd	Australie	100.0	0.0
Pelco Australia Pty. Limited	Australia	100.0	100.0
Scadagroup Pty. Ltd	Australia	100.0	100.0
Schneider Electric (Australia) Pty. Limited	Australia	100.0	100.0
Schneider Electric Australia Holdings Pty. Limited	Australia	100.0	100.0
Schneider Electric Buildings Australia Pty. Limited	Australia	100.0	100.0

		% Interest Dec. 31, 2016	% Interest Dec. 31, 2015
Serck Controls Pty. Ltd	Australia	100.0	100.0
Telvent Australia Pty. Limited	Australia	100.0	100.0
SolveIT Software Pty. Limited	Australia	100.0	100.0
Invensys Process Systems (Australia) Pty. Limited	Australia	100.0	100.0
Schneider Electric IT (Xiamen) Co., Ltd	China	100.0	100.0
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100.0	100.0
Schneider Electric Huadian Switchgear (Xiamen) Co., Ltd	China	100.0	100.0
Shanghai Schneider Electric Power Automation Co. Ltd	China	100.0	100.0
Schneider Switchgear (Suzhou) Co, Ltd	China	58.0	58.0
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100.0	100.0
Schneider Great Wall Engineering (Beijing) Co. Ltd	China	100.0	75.0
Clipsal Manufacturing (Huizhou) Ltd	China	100.0	100.0
Proface China International Trading (Shanghai) Co. Ltd	China	100.0	100.0
RAM Electronic Technology and Control (Wuxi) Co., Ltd	China	100.0	100.0
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95.0	95.0
Schneider (Beijing) Medium Voltage Co. Ltd	China	95.0	95.0
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70.0	70.0
Schneider (Shanghai) Supply Co. Ltd	China	100.0	100.0
Schneider (Suzhou) Drives Company Ltd	China	90.0	90.0
Schneider (Suzhou) Enclosure Systems Co Ltd	China	100.0	100.0
Schneider (Suzhou) Transformers Co. Ltd	China	100.0	100.0
Schneider Automation Solutions (Shanghai) Co., Ltd	China	100.0	100.0
Schneider Busway (Guangzhou) Ltd	China	95.0	95.0
Schneider Electric (China) Co. Ltd	China	100.0	100.0
Schneider Electric IT (China) Co., Ltd	China	100.0	100.0
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75.0	75.0
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100.0	100.0
Schneider Shanghai Industrial Control Co. Ltd	China	80.0	80.0
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75.0	75.0
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80.0	80.0
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100.0	100.0
Telvent – BBS High & New Tech (Beijing) Co. Ltd	China	80.0	80.0
Telvent Control System (China) Co. Ltd	China	100.0	100.0
Tianjin Merlin Gerin Co. Ltd	China	75.0	75.0
Wuxi Proface Electronic Co. Ltd	China	100.0	100.0
Schneider Electric Manufacturing (Chongqing) Co. Ltd	China	100.0	100.0
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100.0	100.0
Delixi Electric Ltd (sub-group)	China	99.9	50.0
Schneider Equipment and Engineering (Xi'an) Co., Ltd	China	100.0	100.0
Invensys Automation & Controls Systems (Shanghai) Co., Ltd	China	100.0	100.0
Shanghai Foxboro Co., Ltd	China	100.0	100.0
Shanghai Invensys Process System Co., Ltd	China	100.0	100.0
FSL China	China	54.0	54.0
Clipsal Asia Holdings Limited	Hong Kong	100.0	100.0

		% Interest Dec. 31, 2016	% Interest Dec. 31, 2015
Clipsal Asia Limited	Hong Kong	100.0	100.0
Schneider Electric IT Hong Kong Limited	Hong Kong	100.0	100.0
Schneider Electric (Hong Kong) Limited	Hong Kong	100.0	100.0
Schneider Electric Asia Pacific Limited	Hong Kong	100.0	100.0
Federal Supremetech Limited	Hong Kong	54.0	54.0
Schneider Electric IT Business India Private Ltd	India	100.0	100.0
Schneider Electric President Systems Ltd	India	75.0	75.0
Luminous Power Technologies Private Ltd	India	74.0	74.0
Luminous Renewable Energy Solutions Private Ltd	India	74.0	74.0
Schneider Electric India Private Ltd	India	100.0	100.0
Schneider Electric Infrastructure Limited	India	75.0	75.0
Eruotherm India Private, Ltd	India	100.0	100.0
Invensys Development Centre India Private, Ltd	India	100.0	100.0
Invensys India Private, Ltd	India	100.0	100.0
PT Clipsal Manufacturing Jakarta	Indonesia	100.0	100.0
PT Schneider Electric IT Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Manufacturing Batam	Indonesia	100.0	100.0
PT. Invensys Indonesia	Indonesia	95.0	95.0
Schneider Electric Japan, Inc.	Japan	100.0	100.0
Digital Electronics Corporation	Japan	100.0	100.0
Schneider Electric Japan Holdings Ltd	Japan	100.0	100.0
Toshiba Schneider Inverter Corp.	Japan	60.0	60.0
Invensys Process Systems Japan Inc.	Japan	100.0	100.0
Clipsal Manufacturing (M) Sdn Bhd	Malaysia	100.0	100.0
Gutor Electronic Asia Pacific Sdn Bhd	Malaysia	100.0	100.0
Huge Eastern Sdn Bhd	Malaysia	100.0	100.0
KSLA Energy & Power Solutions (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (Malaysia) Sdn Bhd	Malaysia	30.0	30.0
Schneider Electric Industries (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric IT Malaysia Sdn Bhd	Malaysia	100.0	100.0
Invensys Process Systems (Malaysia) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (NZ) Ltd	New-Zealand	100.0	100.0
Invensys Process Systems New Zealand Ltd	New-Zealand	100.0	100.0
American Power Conversion Land Holdings Inc.	Philippines	100.0	100.0
Clipsal Philippines	Philippines	100.0	100.0
Schneider Electric IT Philippines Inc.	Philippines	100.0	100.0
Schneider Electric (Philippines) Inc.	Philippines	100.0	100.0
Pelco Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Export Services Pte. Ltd	Singapore	100.0	100.0
Schneider Electric IT Logistics Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Schneider Electric IT Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Logistics Asia Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Overseas Asia Pte. Ltd	Singapore	100.0	100.0

		% Interest Dec. 31, 2016	% Interest Dec. 31, 2015
Schneider Electric Software Holdings Singapore PTE.Ltd	Singapore	100.0	0.0
Schneider Electric Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric South East Asia (HQ) Pte. Ltd	Singapore	100.0	100.0
Invensys Process Systems (S) Pte Ltd	Singapore	100.0	100.0
Wonderware of Singapore Pte Ltd	Singapore	100.0	100.0
Schneider Electric Korea Ltd (ex-Samwha EOCR Co. Ltd)	South Korea	100.0	100.0
Eurotherm Korea Ltd	South Korea	100.0	100.0
Invensys Korea Ltd	South Korea	100.0	100.0
Wonderware Korea Co., Ltd	South Korea	100.0	100.0
Schneider Electric Lanka (Private) Limited	Sri Lanka	100.0	100.0
Schneider Electric Taiwan Co Ltd	Taiwan	100.0	100.0
Invensys Process Systems Taiwan Corp.	Taiwan	100.0	100.0
Pro Face South East Asia Pacific Co. Ltd	Thailand	100.0	100.0
Schneider (Thailand) Ltd	Thailand	100.0	100.0
Schneider Electric CPCS (Thailand) Co. Ltd	Thailand	100.0	100.0
Invensys Process Systems (Thailand) Co., Ltd	Thailand	100.0	100.0
Clipsal Vietnam Co. Ltd	Vietnam	100.0	100.0
Schneider Electric IT Vietnam Ltd	Vietnam	100.0	100.0
Schneider Electric Vietnam Co. Ltd	Vietnam	100.0	100.0
Schneider Electric Manufacturing Viet Nam Co., Ltd	Vietnam	100.0	0.0
Invensys Vietnam Ltd	Vietnam	100.0	100.0
Accounted for by equity method			
Sunten Electric Equipment	China	25.0	40.0
Ennovation System Control Co., Ltd	China	40.0	40.0
Delixi Electric Ltd (sub-group)	China	50.0	0.0
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	36.8	36.8
Foxboro (Malaysia) Sdn Bhd	Malaysia	49.0	49.0
Rest of the world			
Fully consolidated			
Himel Algérie	Algeria	100.0	100.0
Schneider Electric Algérie	Algeria	100.0	100.0
Invensys Systems Algérie EURL	Algeria	100.0	100.0
Schneider Electric Argentina SA	Argentina	100.0	100.0
Telvent Argentina SA	Argentina	0.0	100.0
Schneider Electric Systems Argentina SA	Argentina	100.0	100.0
American Power Conversion Brasil Ltda	Brazil	100.0	100.0
Schneider Electric IT Brasil Industria e Comercio de Equipamentos Eletronicos Ltda	Brazil	100.0	100.0
Schneider Electric Brasil Ltda	Brazil	100.0	100.0
Telvent Brazil SA	Brazil	0.0	100.0
Steck da Amazonia Industria Electrica Ltda	Brazil	100.0	100.0
Steck Industria Electrica Ltda	Brazil	100.0	100.0
CP Eletronica Ltda	Brazil	100.0	100.0
Eurotherm SA/NV	Brazil	100.0	100.0

		% Interest Dec. 31, 2016	% Interest Dec. 31, 2015
Invensys Systems Brasil Ltda	Brazil	100.0	100.0
Indusoft Desenvolvimento de Software Ltda	Brazil	100.0	100.0
Inversiones Schneider Electric Uno Limitada	Chile	100.0	100.0
Marisio SA	Chile	100.0	100.0
Schneider Electric Chile SA	Chile	100.0	100.0
Schneider Electric Systems Chile Limitada	Chile	100.0	100.0
Dexson Electric SAS	Colombia	100.0	100.0
Schneider Electric de Colombia SA	Colombia	80.0	80.0
Schneider Electric Systems Colombia Ltda	Colombia	100.0	100.0
Schneider Electric Centroamerica Ltda	Costa Rica	100.0	100.0
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SAE	Egypt	91.0	91.0
Invensys Engineering & Service SAE	Egypt	51.0	51.0
Invensys Process Systems Egypt Co., Ltd	Egypt	60.0	60.0
Kara Altech Pouya	Iran	100.0	0.0
Schneider Electric LLP	Kazakhstan	85.0	85.0
Invensys Systems Kazakhstan LLP	Kazakhstan	100.0	100.0
Schneider Electric Kenya	Kenya	85.0	85.0
Schneider Electric Services Kuweit	Kuweit	49.0	49.0
Schneider Electric East Mediterranean SAL	Lebanon	96.0	96.0
Delixi Electric Maroc SARL AU	Morocco	100.0	100.0
Schneider Electric Maroc	Morocco	100.0	100.0
Schneider Electric Nigeria Ltd	Nigeria	100.0	100.0
Invensys Systems Nigeria Ltd	Nigeria	100.0	100.0
Schneider Electric Oman LLC	Oman	100.0	100.0
Schneider Electric O.M. LLC	Oman	100.0	0.0
Schneider Electric Pakistan (Private) Limited	Pakistan	80.0	80.0
Schneider Electric Peru SA	Peru	100.0	100.0
Invensys Process Systems del Peru SA	Peru	100.0	100.0
EPS Electrical Power Distribution Boards & Switchgear Ltd	Saudi Arabia	100.0	99.0
Telvent Saudi Arabia Co. Ltd	Saudi Arabia	0.0	100.0
AMPS	Saudi Arabia	100.0	100.0
Invensys Saudi Arabia Co., Ltd	Saudi Arabia	100.0	100.0
Schneider Electric South Africa (Pty.) Ltd	South Africa	74.9	74.9
Uniflair South Africa (Pty.) Ltd	South Africa	100.0	100.0
Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
Himel Elektric Malzemeleri Ticaret A.S.	Turkey	100.0	100.0
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
Gunsan Elektrik	Turkey	100.0	100.0
Schneider Electric Uganda Ltd	Uganda	100.0	0.0
Cimac FZCO	United Arab Emirates	100.0	100.0
Clipsal Middle East FZC	United Arab Emirates	100.0	100.0
Schneider Electric DC MEA FZCO	United Arab Emirates	100.0	100.0
Schneider Electric FZE	United Arab Emirates	100.0	100.0

		% Interest Dec. 31, 2016	% Interest Dec. 31, 2015
Invensys Middle East FZE	United Arab Emirates	100.0	100.0
Schneider Electric Venezuela SA	Venezuela	93.6	93.6
Invensys Systems Venezuela, SA	Venezuela	100.0	100.0

6. Statutory auditors' report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholder's Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Schneider Electric SE;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- note 1.8 and 4 to the consolidated financial statements outline the method for recognizing research and development costs and describes the criteria under which development costs may be capitalized. We reviewed the data and assumptions used to identify projects that qualify for capitalization, as well as the Group's calculations, and verified that adequate disclosure is made in the notes to the consolidated financial statements;
- as explained in notes 1.10 and 8 to the consolidated financial statements, your group carries out intangible asset and goodwill impairment tests at least once a year and when factors exist indicating that the related assets may have suffered a loss of value. We analyzed, on a test basis, the indicators of a loss of value. We reviewed the data, assumptions used, and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements;
- as indicated in notes 1.15 and 16 to the consolidated financial statements, future tax benefits arising from the utilization of tax loss carry forwards are recognized only when they can reasonably be expected to be realized. We verified the reasonableness of the assumptions used to produce an estimate of future taxable income supporting assessments of the recoverability of these deferred tax assets;
- notes 1.18 and 22 to the consolidated financial statements describe the method for valuing pensions and other post-employment obligations. Actuarial valuations were performed for these commitments. We reviewed the data, the assumptions used and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements;

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Paris-La Défense, February 15, 2017

The statutory auditors

French original signed by

MAZARS	**ERNST & YOUNG et Autres**
Loïc Wallaert	Jean-Yves Jégourel

6 Parent company financial statements

1. Balance sheet

Assets

(in thousands of euros)	Notes	Gross	A. & D. or Prov.	Dec. 31, 2016 Net	Dec. 31, 2015 Net
NON-CURRENT ASSETS					
Intangible assets	1.1				
Intangible rights		27,474	(27,474)	-	-
Property, plant and equipment	1.2				
Land		2,932	-	2,932	2,932
Buildings		48	(48)	-	-
Other		1,468	(242)	1,226	1,226
Total intangible assets and property, plant and equipment		**31,922**	**(27,764)**	**4,158**	**4,158**
Financial investments					
Shares in subsidiaries and affiliates	2.1	5,599,974	(114,270)	5,485,704	5,485,704
Other investment securities	2.2	1,872,343	(77)	1,872,266	1,005,748
Advances to subsidiaries and affiliates	2.3	3,271,503	-	3,271,503	3,419,219
Other		-	-	-	-
Total financial investments		**10,743,820**	**(114,347)**	**10,629,473**	**9,910,671**
Total non-current assets		**10,775,742**	**(142,111)**	**10,633,631**	**9,914,829**
CURRENT ASSETS					
Accounts receivable					
Accounts receivable – trade		338	-	338	382
Other	3	45,478	(226)	45,252	56,388
Total accounts receivable		**45,816**	**(226)**	**45,590**	**56,770**
Marketable securities and cash					
Marketable securities	4	126,713	(14,762)	111,951	144,423
Advances to the Group cash pool	5	5,068,856	-	5,068,856	6,587,305
Other		307	-	307	4
Total marketable securities and cash		**5,195,876**	**(14,762)**	**5,181,114**	**6,731,732**
Total current assets		**5,241,692**	**(14,988)**	**5,226,704**	**6,788,502**
PREPAYMENTS AND OTHER ASSETS					
Prepaid expenses	6.1	488	-	488	816
Deferred charges	6.2	14,860	-	14,860	14,562
Call premiums	6.3	28,343	-	28,343	32,029
Translation losses		140,589	-	140,589	158,283
TOTAL ASSETS		**16,201,714**	**(157,099)**	**16,044,615**	**16,909,021**

The notes form an integral part of these parent company financial statements.

Equity and liabilities

(in thousands of euros)	Note	Dec. 31, 2016	Dec. 31, 2015
EQUITY	7		
Share capital	7.1	2,369,995	2,354,938
Additional paid-in capital	7.2	6,231,414	7,266,851
Reserves			
Legal reserve		243,027	243,027
Retained earnings	7.3	(20)	(4,512)
Net income for the financial year		(99,730)	52,585
Untaxed provisions		2	2
Total equity		**8,744,688**	**9,807,721**
PROVISIONS FOR CONTINGENCIES:	8		
Provisions for contingencies		13,287	45
Total provisions for contingencies		**13,287**	**45**
LIABILITIES:			
Bonds	9	6,939,186	6,786,730
Other borrowings	10	75,393	80,947
Amounts payable to subsidiaries and affiliates		14	13
Borrowings and financial liabilities	11	56,920	-
Accounts payable – trade		212	997
Accrued taxes and payroll costs		70,351	70,474
Other		3,713	3,500
Total liabilities		**7,145,789**	**6,942,661**
Deferred income		260	312
Translation gains		140,590	158,282
TOTAL EQUITY AND LIABILITIES		**16,044,615**	**16,909,021**

The notes form an integral part of these parent company financial statements.

2. Statement of income

(in thousands of euros)	Note	Full year 2016	Full year 2015
Sales of services and other		228	3,903
Reversals of provisions, depreciation and amortization and expense transfers		4	14,201
Operating revenues		**232**	**18,104**
Purchases and external expenses		(9,799)	(8,175)
Taxes other than on income		(2,389)	(2,264)
Payroll expenses		(2,482)	(4,041)
Depreciation and provision expense		-	(2,775)
Other operating expenses and joint-venture losses		(1,511)	(1,405)
Operating expenses		**(16,181)**	**(18,660)**
Operating profit/loss		**(15,949)**	**(555)**
Dividend income		-	-
Interest income		52,276	54,587
Reversals of impairment provisions for long-term receivables and other		-	-
Financial income		**52,276**	**54,587**
Interest expense		(180,668)	(181,008)
Provision expense		(15,528)	(13,547)
Financial expenses		**(196,196)**	**(194,555)**
Net financial income/(loss)	14	**(143,920)**	**(139,968)**
Proceeds from fixed asset disposals		95	1
Provision reversals and expense transfers	2.2	14,039	1,208
Other		1	-
Non-recurring income		**14,135**	**1,209**
Carrying amount of fixed asset disposals		(1,492)	(618)
Provisions, depreciation and amortization		(14,762)	(13,481)
Other		(338)	(2,000)
Non-recurring expenses		**(16,592)**	**(16,099)**
Net non-recurring income/(expense)	15	**(2,457)**	**(14,890)**
Net income tax benefit	16	**62,596**	**102,828**
NET INCOME		**(99,730)**	**(52,585)**

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 EUR164 million, as follows:

- the employee share issuance carried out on July 12, 2016 as part of the worldwide Employee Stock Purchase Plan, for EUR130 million;
- the exercise of performance shares, for EUR34 million.

The company issued a bond for EUR800 million. The Group reimbursed 4 bonds amounting EUR200 million, EUR300 million, JPY12 billion and JPY10 billion. Otherwise, the loans of JPY12 billion and JPY10 billion granted to Boissiere have been reimbursed.

On May 9, 2016, the 2015 dividend was paid for EUR1,127 million.

Since April 2016, the company proceeded to buy back 14,879,319 of its own shares for EUR853 million.

3.2 Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2016 have been prepared in accordance with French generally accepted accounting principles and with the ANC nº 2014-03 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, 2015	Additions	Disposals	Dec. 31, 2016
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, 2015	Additions	Disposals	Dec. 31, 2016
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, 2016 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, 2015	Increases	Decreases	Dec. 31, 2016
Schneider Electric SE shares	1,019,174	853,038	-	1,872,212
Other	131	-	-	131
Provisions for other shares	(13,557)	-	13,480	(77)
NET	**1,005,748**	**853,038**	**13,480**	**1,872,266**

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 2016, in compliance with the resolution adopted by the Shareholders' Meeting dated April 21, 2016, the company proceeded to the share buyback of 14,879,319 own shares for a total amount of EUR853 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, 2015	Increases	Decreases	Dec. 31, 2016
Cost	3,419,219	90,041	(237,757)	3,271,503
NET	**3,419,219**	**90,041**	**(237,757)**	**3,271,503**

At December 31, 2016, this item mainly consisted of a loan of EUR2,500 million granted to Schneider Electric Industries SAS with a maturity date of 2017, a loan granted in 2012 to Boissière Finance for a total amount of EUR759 million with a maturity date of 2022 and of accrued interest for a total amount of EUR12 million.

Boissière Finance reimbursed 2 loans of JPY12 billion and JPY10 billion with maturity dates of November 18, 2016 and December 8, 2016 respectively.

NOTE 3 Other receivables

(in thousands of euros)

Other receivables	Dec. 31, 2016	Dec. 31, 2015
Cost	45,478	56,614
Provisions	(226)	(226)
NET	**45,252**	**56,388**

At December 31, 2016, the main changes in "Other receivables" related to the decrease of the research tax credit for EUR24 million partially offset by the increase in Group income tax receivables for EUR12 million.

NOTE 4 Marketable securities

(in thousands of euros)	Dec. 31, 2015 Number of shares	Dec. 31, 2015 Value	Acquisitions Value	Disposals Value	Dec. 31, 2016 Value	Dec. 31, 2016 Number of shares
TREASURY SHARES						
Gross	4,676,616	144,423	-	(17,710)	126,713	4,057,567
Provisions	-	-	-	(14,762)	(14,762)	-
TOTAL NET	**-**	**144,423**	**-**	**(32,472)**	**111,951**	**-**

Marketable securities primarily represent own shares held by the company for allocation to future performance shares plans and, if appropriate, stock-options.

Following the decision of the board to assign own shares to the performance shares plan 21, a provision of EUR15 million has been recognized. This plan will vest on March 27, 2017.

NOTE 5 Cash and cash equivalent group

This item consists of interest-bearing advances by Schneider Electric SE to the Group cash pool (Boissiere 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, 2015	Increases	Decreases	Dec. 31, 2016
Aug. 11, 2005 due 2017 (EUR600 million)	236	-	(145)	91
July 25, 2008 due 2016 (EUR177 million)	3	-	(3)	-
Mar. 20, 2009 due 2017 (EUR250 million)	26	-	(16)	10
July 20, 2010 due 2016 (EUR300 million)	81	-	(81)	-
July 20, 2010 due 2016 (EUR200 million)	52	-	(52)	-
July 20, 2010 due 2020 (EUR500 million)	770	-	(164)	606
July 12, 2011 due 2018 (EUR750 million)	977	-	(387)	590
Sep. 22, 2011 due 2019 (EUR500 million)	700	20	(248)	472
Nov. 18, 2011 due 2016 (JPY12 billion)	94	-	(94)	-
Dec. 8, 2011 due 2016 (JPY10 billion)	80	-	(80)	-
Sep. 27, 2012 due 2022 (USD800 million)	2,583	25	(422)	2,186
Sep. 6, 2013 due 2021 (EUR600 million)	1,836	-	(304)	1,532
Mar. 11, 2015 due 2025 (EUR750 million)	2,884	59	(353)	2,590
Sep. 8, 2015 due 2023 (EUR800 million)	3,030	23	(375)	2,678
Oct. 13, 2015 due 2025 (EUR200 million)	863	48	(85)	826
Oct. 13, 2015 due 2025 (EUR100 million)	347	21	(32)	336
Sep. 9, 2016 due 2024 (EUR800 million)	0	3,059	(116)	2,943
	14,562	**3,255**	**(2,957)**	**14,860**

6.3 – Redemption premiums

(in thousands of euros)

Redemption premiums	Dec. 31, 2015	Increases	Decreases	Dec. 31, 2016
Aug. 11, 2005 due 2017 (EUR600 million)	765	-	(469)	296
Apr. 11, 2008 due 2018 (EUR55 million)	1,565	-	(954)	611
Apr. 11, 2008 due 2018 (EUR125 million)	3,660	-	(2,231)	1,429
Mar. 20, 2009 due 2017 (EUR250 million)	7,628	-	(4,659)	2,969
July 20, 2010 due 2016 (EUR300 million)	203	1	(204)	-
July 20, 2010 due 2016 (EUR200 million)	(371)	-	371	-
July 20, 2010 due 2020 (EUR500 million)	2,298	-	(489)	1,809
July 12, 2011 due 2018 (EUR750 million)	1,751	-	(693)	1,058
Sep. 22, 2011 due 2019 (EUR500 million)	1,613	45	(570)	1,088
Sep. 27, 2012 due 2022 (USD800 million)	1,156	15	(200)	971
Sep. 6, 2013 due 2021 (EUR600 million)	1,103	-	(183)	920
Mar. 11, 2015 due 2025 (EUR750 million)	8,138	142	(991)	7,289
Sep. 8, 2015 due 2022 (EUR800 million)	4,255	-	(521)	3,734
Oct. 13, 2015 due 2025 (EUR100 million)	(1,735)	155	-	(1,580)
Sep. 9, 2016 due 2024 (EUR800 million)	-	8,056	(307)	7,749
	32,029	**8,414**	**(12,100)**	**28,343**

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, 2014 before allocation of net income for the year	**2,339**	**7,898**	**228**	**341**	**-**	**10,806**
Change in share capital	16	141	(4)		-	153
Allocation of 2014 net income	-	-	341	(341)	-	-
2014 dividend	-	(772)	(326)	-	-	(1,098)
2015 net income	-	-	-	(53)	-	(53)
December 31, 2015 before allocation of net income for the year	**2,355**	**7,267**	**239**	**(53)**	**-**	**9,808**
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**

7.1 – Capital

Share capital

The company's share capital at December 31, 2016 amounted to EUR2,369,995,036, consisting of 592,498,759 shares with a par value of EUR4, all fully paid up.

Changes in share capital

During the financial year, the EUR15 million increase in share capital, breaks down as follows:

- EUR11 million share capital increase as part of the worldwide Employee Stock Purchase Plan with an issuance of 2,842,752 new shares;
- EUR4 million share capital increase for the exercise of performance shares with an issuance of 921,535 new shares.

Own shares

The total number of own shares held at the reporting date stood at 37,544,082, representing a net amount of EUR1,998 million.

7.2 – Additional paid-in capital

Additional paid-in capital decreased by EUR1,035 million over the financial year, including EUR149 million from the worldwide Employee Stock Purchase Plan, EUR57 million in allocation of 2015 losses and EUR1,127 million deducted from paid-in capital for the dividend payment.

7.3 – Allocation of 2015 net income

Pursuant to the 3rd resolution of the Ordinary and Extraordinary Shareholders' Meeting of April 25, 2016, the 2015 loss of EUR53 million was allocated to additional paid-in capital and EUR1,177 million was deducted from additional paid-in capital for the payment of the dividend in 2016.

NOTE 8 Provisions for contingencies and pension accruals

(in thousands of euros)	Dec. 31, 2015	Increases	Decreases	Dec. 31, 2016
PROVISIONS FOR CONTINGENCIES				
Disputes	15	-	-	15
Other	30	13,242	-	13,272
	45	**-**	**-**	**13,287**

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, 2016	Dec. 31, 2015	Interest rate	Maturity
Schneider Electric SE 2017	600,000	600,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2017	125,000	125,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2017	55,000	55,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2018	150,244	150,244	Euribor +0.60% Floating	July 25, 2018
Schneider Electric SE 2017	250,000	250,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SE 2016	-	300,000	2.875% Fixed	July 20, 2016
Schneider Electric SE 2016	-	200,000	2.875% Fixed	July 20, 2016
Schneider Electric SE 2020	500,000	500,000	3.625% Fixed	July 20, 2020
Schneider Electric SE 2018	750,000	750,000	3.75% Fixed	July 12, 2018
Schneider Electric SE 2019	500,000	500,000	3.50% Fixed	Jan. 22, 2019
Schneider Electric SE 2016	-	95,369	0.849% Fixed	Nov. 18, 2016
Schneider Electric SE 2016	-	76,295	0.84625% Fixed	Dec. 08, 2016
Schneider Electric SE 2022	758,942	734,822	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	-	0.25% Fixed	Sep. 09, 2024
	6,939,186	**6,786,730**		

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, which bonds are traded on the Luxembourg stock exchange.

During the year, the company reimbursed 4 bonds:

- JPY12 billion and JPY10 billion worth of respectively 0.849% and 0.84625% bonds issued in November and December 2011 and maturing on November 18, 2016 and December 8, 2016;
- EUR300 million and EUR200 million worth of 2.875% bonds issued respectively in July and October 2010 and maturing on July 20, 2016.

The company issued in September 2016 a bond for EUR800 million at 0,25%, maturing on September 9, 2024.

At December 31, 2016, 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;
- EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million 12-year tranche at 4% issued in August 2005, thereby raising the total issue to EUR1.03 billion;
- EUR177 million worth of floating-rate bonds issued in July 2008 and maturing on July 25, 2018, decreased to EUR150 million through the repayment in June 2014 of EUR27 million;
- EUR180 million worth of bonds issued in April 2008 to top up the EUR600 million 12-year tranche at 4% issued in August 2005, thereby raising the total tranche to EUR780 million;
- EUR600 million worth of 4% bonds issued in August 2005 and maturing in August 2017;
- 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, 2016 included accrued interest on bonds and other debt issued by the company. Accrued interest amounted to EUR75 million, compared to EUR81 million at end-2015.

NOTE 11 Interest-bearing liabilities

Interest-bearing liabilities *(in thousands of euros)*	**Dec. 31, 2015**	**Increase**	**Decrease**	**Dec. 31, 2016**
Commercial papers	-	2,361,455	(2,304,535)	56,920
Overdrafts	-	-	-	-
Other	-	-	-	-
NET	**-**	**2,361,455**	**(2,304,535)**	**56,920**

In 2016, commercial papers were issued and partially reimbursed over the period. The balance amounted to EUR57 million at the end of 2016.

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	3,271,503	12,561	2,500,000	758,942
CURRENT ASSETS				
Accounts receivable – trade	338	338	-	-
Other receivables	45,252	43,678	0	1,574
Marketable securities	111,952	111,952	-	-
Prepaid expenses	488	488	-	-
DEBT				
Bonds	6,939,186	1,030,000	2,500,244	3,408,942
Other borrowings	75,393	75,393	-	-
Commercial papers	56,920	56,920	-	-
Amounts payable to subsidiaries and affiliates	14	-	14	-
Accounts payable – trade	212	212	-	-
Accrued taxes and payroll costs	70,351	70,351	-	-
Other	3,713	3,713	-	-
Deferred income	260	260	-	-

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	3,271,502	3,271,502
Accounts receivable	141	141
Cash and cash equivalents	5,068,856	5,068,856
Revenues:		
◆ rebilled performance shares		13,174
◆ interest		24,417

NOTE 14 Net financial income

(in thousands of euros)	Full year 2016	Full year 2015
Dividends	-	-
Net interest income (expense)	(128,392)	(136,783)
Other	(15,528)	(3,185)
NET FINANCIAL INCOME	**(143,920)**	**(139,968)**

In 2016, the company did not receive any dividends.

NOTE 15 Net non-recurring income/(expense)

(in thousands of euros)	**Full year 2016**	**Full year 2015**
Net gains/(losses) on fixed asset disposals	(60)	(617)
Provisions net of reversals	(1,280)	(12,273)
Other non-recurring income/(expense)	(1,117)	(2,000)
NET NON-RECURRING INCOME/(EXPENSE)	**(2,457)**	**(14,890)**

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 2016 income tax due, for EUR77 million, which represents a EUR29 million decrease on last year.

Schneider Electric SE is the parent company of the tax group comprising all French subsidiaries that are over 95%-owned. Tax loss carry forwards available to the company in this capacity totaled EUR2,015 million at December 31, 2016.

NOTE 17 Pension benefit commitment

The company had taken commitments towards its executives, active managers and retirees. In 2012, the company closed the old plan to any new income and set up a new plan with a progressive acquisition of the rights according to the seniority in the Group and in the Executive Committee. The financing of this new plan, was then outsourced to AXA France VIE. Further to the decision of board of directors meeting dated February 18, 2015 to end to the benefit of the top-hat executive pension plans, the company reversed a EUR14 million provision in 2015.

NOTE 18 Off-balance sheet commitments

18.1 – Partnership obligations

The share of liabilities of "SC" non-trading companies attributable to Schneider Electric SE as partner is not material.

The share of liabilities of "SNC" flow-through entities attributable to Schneider Electric SE as partner is not material.

18.2 – Guarantees given and received

Commitments given

Counter-guarantees of bank guarantees: None

Other guarantees given: EUR2,278 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, 2016.

NOTE 19 Other information

19.1 – Workforce

The average number of employees is 1 over 2016.

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

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2016 on:

- the audit of the accompanying financial statements of Schneider Electric SE;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the Financial Statements

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company and of the results of its operations for the year ended, in accordance with French accounting principles.

II – Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters: The notes "Accounting Principles" and "Note 2 – Investments" to the financial statements, which present respectively the accounting methods and principles used to value investments and the detail of investment securities in the company's balance sheet.

As part of our assessment of the accounting principles and methods used by your company, we verified the appropriateness of the principles and methods specified above as well as the information provided in the notes to the financial statements, and obtained assurance that they were correctly applied.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III – Specific verifications and information

We have also performed, in accordance with professional standards applicable in France the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the board of directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (*Code de commerce*) relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified their consistency with the financial statements, or with the underlying information used to prepare these financial statements; and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders has been properly disclosed in the management report.

Paris-La Défense and Courbevoie, March 15, 2017,

The statutory auditors

French original signed by

ERNST & YOUNG et Autres	**MAZARS**
Jean Yves Jégourel	Loïc Wallaert

5. List of securities held at December 31, 2016

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
33,486,515	Schneider Electric SE own shares	1,872,212
		7,215,756
B. OTHER INVESTMENTS		
(Carrying amounts under EUR5 million)		1,038
C. INVESTMENTS IN REAL ESTATE COMPANIES		-
D. INVESTMENTS IN FOREIGN COMPANIES		139,074
Total		**7,355,868**
MARKETABLE SECURITIES		
4,057,567	Schneider Electric SE own shares	111,951
TOTAL		**111,951**

6. Subsidiaries and affiliates

Company *(in thousands of euros)*	**Capital**	**Reserves and retained earnings & retained earnings prior to appropriation of earnings***	**Share interest held (%)**
I. DETAILED INFORMATION ON SUBSIDIARIES AND AFFILIATES WITH A CARRYING AMOUNT OF OVER 1% OF THE SHARE CAPITAL OF SCHNEIDER ELECTRIC SE			
A. Subsidiaries (at least 50% owned)			
Schneider Electric Industries SAS 35, rue Joseph-Monier 92500 Rueil-Malmaison, France	928,299	7,823,679	100.00
Cofimines Place du Champs-de-Mars, 5, tour Bastion 1050 Brussels	96,884	42,324	99.84
B. Affiliates (10 to 50%-owned)			
II. OTHER SUBSIDIARIES AND AFFILIATES			
A. Subsidiaries not included in Section I: (+50%)			
a) French subsidiaries (aggregate)	-	-	-
b) Foreign subsidiaries (aggregate)	-	-	-
B. Affiliates not included in Section I: (0-50%)			
a) French companies (aggregate)	-	-	-
b) Foreign companies (aggregate)	21,143	30,314	4.8

* *Including income or loss in prior financial year.*

Gross	Net	Loans and advances provided by the company and still outstanding	Amount of guarantees given by the company	2016 Revenues (ex. VAT)	2016 Profit or loss (-)	Dividends received by the company during 2016
5,343,544	5,343,544	2,506,389	-	3,198,076	263,851	-
219,894	139,074	-	-	Holding company	(108)	-
15,288	1,038	-	-	-	-	-
-	-	-	-	-	-	-
130	53	-	-	-	-	-
21,249	2,049	-	-	-	(203)	-

7. The company's financial results over the last 5 years

Description	2016	2015	2014	2013	2012
FINANCIAL POSITION AT DECEMBER 31					
Share capital *(in thousands of euros)*	2,369,995	2,354,938	2,338,765	2,247,832	2,221,668
Number of shares in issue	592,498,759	588,734,472	584,691,142	561,958,023	555,417,014
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	9,562	7,773	8,906	8,794	11,313
RESULTS OF OPERATIONS *(in thousands of euros)*					
Sales (ex. VAT)	228	209	182	2,194	695
Investment revenue, interest income and other revenue	52,276	54,587	104,963	135,866	533,420
Earnings before tax, depreciation, amortization and provisions	(146,799)	(139,013)	(134,722)	(154,000)	170,417
Income tax	(53,632)	(41,456)	(181,865)	91,443	42,875
Earnings after tax, depreciation, amortization and provisions	(99,730)	(52,585)	341,124	(132,771)	225,115
Dividends paid[(1)] excluding tax credit and withholdings	1,208,697[(2)]	1,177,469	1,122,607	1,050,862	1,038,630
RESULTS OF OPERATIONS PER SHARE *(in euros)*					
Earnings before depreciation, amortization and provisions	(0.14)	(0.06)	0.61	(0.28)	0.50
Earnings after tax, depreciation, amortization and provisions	(0.17)	(0.09)	0.58	(0.24)	0.41
Net dividend per share	2,04[(2)]	2	1.92	1.87	1.87
EMPLOYEES					
Average number of employees during the financial year	1	1	2	2	2
Total payroll for the financial year *(in thousands of euros)*	1,507	2,684	1,039	996	1,641
Total of employee benefits paid over the financial year	-	-	-	-	-
(Social security, other benefits, etc.) *(in thousands of euros)*	974	1,028	653	459	1,963

(1) Dividends on shares held in treasury on the dividend payment date and the associated withholding are credited to retained earnings.
(2) Pending approval by the Annual Shareholders' Meeting of April 25, 2017.

7 Information on the Company and its capital

This chapter includes the Chairman's report on the composition, conditions applicable for the preparation and organization of the work carried out by the board of directors and the internal control and risk management procedures implemented by the company.

Sections 2 (Annual Shareholders' Meetings and voting rights), 6 (lock-up period applicable to executive officers) and 7, as well as the sections entitled "Governance Structure", Sections 1, 2, 3, 4, 7 (Group senior management compensation policy and Pension benefits and Compensation of members of the board of directors), 9 and 10 of Chapter 3 constitute the board of directors' Chairman's report prepared in accordance with article L.225-37 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 on December 31, 2016, the Company's share capital was EUR2,369,995,036. 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 report of the Chairman of the board of directors.

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 report of the Chairman of the board of directors.

1 – Double voting rights (article 20 of the articles of association)

Voting rights attached to shares are proportionate to the equity in the capital they represent, assuming that they all have the same nominal value. Each capital share or dividend share confers the right to one vote except where compulsory legal provisions limit the number of votes a shareholder may have. Notwithstanding the foregoing, double voting rights are attributed to fully paid-up shares registered in the name of the same holder for at least 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 Combined Annual and Extraordinary Shareholders' Meeting of June 27, 1995.

2 – Ceiling on voting rights (article 20 of the articles of association)

At the Annual Shareholders' Meeting, no shareholder may exercise, either in person or through a proxy, by virtue of single voting rights conferred by the shares they hold directly and indirectly and by virtue of the proxy votes entrusted to them, more than 10% of the total number of the voting rights conferred by shares in the Company. However, if a shareholder also holds double voting rights directly or indirectly and/or as proxy, the limit set may be exceeded taking into consideration only the resulting additional voting rights, without the total voting rights thereby held exceeding 15% of the total number of the voting rights conferred by the shares in the Company.

To apply these provisions:

- the total number of voting rights allowed are calculated as of the date of the Annual Shareholders' Meeting and announced to the shareholders at the beginning of such Annual Shareholders' Meeting;
- the number of voting rights held directly and indirectly are understood to include those conferred by shares held personally by a shareholder, those conferred by shares held by a legal entity controlled by a shareholder as defined by article L.233-3 of the French Commercial Code, and those shares that are assimilated to the shares owned, as defined by the provisions of articles L.233-7 *et seq.* of the Code;
- shareholders' proxies returned to the Company that do not appoint a representative are subject to the above ceilings. However, these ceilings do not apply to the meeting Chairman voting on behalf of such proxies.

The above ceilings will no longer apply, without it being necessary to put the matter to the vote again by the Extraordinary Shareholders' Meeting, if any individual or legal entity, acting alone or jointly with one or other individuals or legal entities, acquires or increases its stake to at least two-thirds of the Company's capital through a public tender offer for all the Company's shares. The board of directors takes note of this nullity and undertakes the formalities necessary to amend the articles of association. The ceiling on voting rights was approved by the Combined Annual and Extraordinary Shareholders' Meeting of June 27, 1995.

In accordance with article L.225-96, paragraph 1 of the French Commercial Code, any amendment to the articles of association must be approved by the Extraordinary Shareholders' Meeting, by a majority of at least two-thirds of the voting rights represented by shareholders in attendance or participating by proxy.

2.3 Allocation of income (article 22 of the articles of association)

Net income for the year less any losses brought forward from prior years is appropriated in the following order:

- 5% to the legal reserve (this appropriation is no longer required once the legal reserve represents one-tenth of the capital, provided that further appropriations are made in the case of a capital increase);
- to discretionary reserves, if appropriate, and to retained earnings;
- to the payment of the balance in the form of a dividend.

The General Meeting may decide to offer shareholders the opportunity to receive the dividend in cash or in the form of new shares.

Dividends not claimed within 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 and of the number of existing shares covered by any agreement or financial instrument referred to in point c) of said paragraph. Shareholders are also required to notify the Company if the number of shares or voting rights held falls below one of the thresholds defined above. In the case of failure to comply with these disclosure obligations, the shares in excess of the disclosure threshold will be stripped of voting rights at the request of one or several shareholders owning at least 2.5% of the share capital, subject to compliance with the relevant provisions of the law. These provisions are from the Combined Annual and Extraordinary Shareholders' Meetings of June 27, 1995, May 5, 2000 and April 23, 2009.

2.6 Identifiable holders of bearer shares (article 7 paragraph 3 of the articles of association)

The Company may at any time request Euroclear to identify holders of bearer securities conferring immediate or future voting rights. This provision was adopted by the Combined Annual and Extraordinary Shareholders' Meetings of June 30, 1988 and May 5, 2000.

2.7 Disposal of shares (article 8 of the articles of association)

Shares in the Company are freely negotiable and transferable.

3. Capital

3.1 Share capital and voting rights

The Company's share capital at December 31, 2016 amounted to EUR2,369,995,036 represented by 592,498,759 shares with a par value of EUR4, all fully paid up. 632,252,239 voting rights were attached to the 592,498,759 outstanding shares as at December 31, 2016.

3.2 Potential capital

At December 31, 2016, the potential capital consisted of:

- 1,078,974 shares under the stock option plans (plans 28 to 33);
- 8,518,333 shares under the performance shares or stock grant plans, plans 16 to 27, excluding plans 17, 17 *bis* and 21, relating to shares to be issued and to existing shares or shares to be issued whose type will be determined later;
- together, these plans represent a total of 9,597,307 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 1.62% of share capital at December 31, 2016.

3.3 Authorizations to issue shares

The Combined Annual and Extraordinary Shareholders' Meetings of April 21, 2015 authorized the board of directors:

1) to increase the Company's capital by capitalizing reserves, earnings or additional paid-in-capital;

2) to increase the share capital by a maximum nominal value of EUR800 million (200 million shares) by issuing shares or share equivalents with a ceiling of:

- in the case of an issue with pre-emptive subscription rights, the ceiling stands at a nominal value of EUR800 million (200 million shares),
- in the case of an issue without 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 placements of shares subject to a ceiling with a nominal value of EUR115 million (28.7 million shares),

(ii) to pay for securities contributed to the Company in connection with a public exchange offer initiated by the Company,

(iii) within the limit of 9.8% of capital, making payment for contributions in kind of shares or share equivalents of unlisted companies.

These authorizations include, in case of oversubscription, the power to increase the nominal amount of the issues within the limit set on the ceiling on the number of shares or share equivalents to be issued.

In addition, the following authorizations were given to the board of directors at the Shareholders' General Meeting of April 25, 2016:

1) to grant existing 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;

3) to issue new shares to members of the Employee Share Purchase Plan (ESPP), within a limit of 2% of the issued capital on the date of the implementation of the authorization;

4) to issue new shares under programs to promote 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, 2016 to be applied to the ceiling for the authorization given in 3 above.

At its meeting of December 15, 2016, 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 Employee Share Purchase Plan or not, will take place in June 2017; the subscription prices will be set on that date.

The Annual Shareholders' Meeting to be held on April 25, 2017 (see pages 320 to 339) will be requested to renew all of the authorizations for issuance of new shares as well as shares reserved to employees.

	Maximum par value of authorized capital increases	Number of shares *(millions)*	Authorization date/authorization expires	Amount used at Dec. 31, 2016 *(in millions of shares)*
I – Issues with pre-emptive subscription rights for shares or warrants,				
or other securities, giving access immediately or in the future to the capital	800 million(1)	200	Apr. 21, 2015 June 20, 2017	6.5(3)
II – Issues without pre-emptive subscription rights				
a) for the issue, in cash or in compensation of listed securities, of shares, warrants and other securities giving access immediately or in the future to the capital	230 million(1)	57.5	Apr. 21, 2015 June 20, 2017	6.5(3)
b) to make private placements of shares	115 million(1)(2)	28.7	Apr. 21, 2015 June 20, 2017	
c) to issue new shares as consideration for unlisted AFS	9.8% of the capital(1)(2)	57.5	Apr. 21, 2015 June 20, 2017	
III – Employee share issues				
Company savings plan	2% of the capital(6)	11.77	Apr. 25, 2016 June 24, 2018	3.7(3)
Share issues to promote share ownership among employees in foreign companies of the Group	1% of the capital(4)(6)	5.88	Apr. 25, 2016 Oct. 24, 2017	–(3)
Stock options	0.5% of the capital(6)	2.9	Apr. 25, 2016 June 24, 2019	–
Free shares or performance shares	2% of the capital(6)	11.77	Apr. 25,2016 June 24, 2019	–(5)

(1) The overall ceiling for issues is capped at EUR800 million in aggregate.
(2) Within the limit of the ceiling of EUR230 million in a).
(3) At its meeting of December 15, 2016, 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 Employee Share Purchase Plan or not, under a non-leveraged stock ownership plan, will take place in June 2017. The subscription prices will be set on that date. The capital increase reserved for employees participating in the Employee Share Purchase 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 2016 are counted towards these amounts, and resulted in the issue of 2.8 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 an Employee Share Purchase Plan.
(5) At the board of directors' meeting of October 26, 2016, 35,700 shares were granted under the 2016 long-term incentive plan. In addition, at the board of directors' meeting of February 15, 2017, the principle was agreed that a maximum of 2.6 million shares would be granted under the 2017 long-term incentive plan.
(6) 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, 2013 through capital increases and the exercise of stock options:

	Number of shares issued or canceled	Cumulative number of shares	Total
Employee share issue	2,752,071		
Exercise of stock options and performance shares issued	3,788,938		
Capital as of Dec. 31, 2013(1)		**561,958,023**	**EUR2,247,832,092**
Increase in share capital as a result of the contribution of Invensys shares	17,207,427		
Employee share issue	3,717,865		
Exercise of stock options and performance shares issued	1,807,827		
Capital as of Dec. 31, 2014(2)		**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(3)		**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(4)		**592,498,759**	**EUR2,369,995,036**

(1) Increase in share capital (EUR26.1 million), increase in additional paid-in-capital (EUR208.5 million).
(2) Increase in share capital (EUR90.9 million), increase in additional paid-in-capital (EUR1,137.1 million).
(3) Increase in share capital (EUR16.2 million), increase in additional paid-in-capital (EUR141.02 million).
(4) Increase in share capital (EUR15.1 million), increase in additional paid-in-capital (EUR148 million).

3.5 Share buybacks

The Annual Shareholders' Meeting of April 21, 2015 authorized the Company to buy back shares. This authorization was renewed by the Annual Shareholders' Meeting of April 25, 2016.

Pursuant to these authorizations, the Company bought back 14,879,319 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 25, 2017 are as follows:

- number of shares and percentage of share capital held directly and indirectly by Schneider Electric SE (as of January 31, 2017):
  - own shares: 37,544,082 shares, *i.e.* 6.34% of share capital,
  - treasury shares: 1,058 shares,
  - total: 37,545,140 shares, *i.e.* 6.34% of share capital;
- overview of purposes for which shares have been held:
  - the 37,544,082 shares held in own shares are held for allocation on the exercise of stock options or performance shares;
- share buyback program objectives:
  - reduce the capital by canceling shares,
  - hold shares for allocation on the exercise of stock option plans or performance shares plans or to permit the conversion of convertible debt securities,
  - 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, 2017, a total of 59,251,745 Schneider Electric SE shares with a nominal value of EUR4,
  - taking into account treasury stock and own shares at January 31, 2017 (37,545,140 shares), the number of shares that could be bought back under the authorization is 21,706,605 or 3.6% of the capital as of January 31, 2017;
- 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,
  - EUR5,332,657,050;
- duration of the buyback program:
  - 18 months maximum, expiring on October 24, 2018;
- transactions carried out pursuant to the program authorized by the Annual Shareholders' Meeting 2015 and renewed by the Annual Shareholders' Meeting 2016 between January 1, 2016 and January 31, 2017:
  - transactions carried out by the Company:
    - number of shares acquired: 14,879,319,
    - number of shares transferred: 619,049.

4. Ownership structure

4.1 Three-year summary of changes in capital[(1)(2)]

	Dec. 31, 2016				Dec. 31, 2015		Dec. 31,2014	
	Capital	Number of shares	Voting rights	Number of voting rights	Capital	Voting rights	Capital	Voting rights
	%		%		%	%	%	%
Sun Life Financial, Inc.	5.8	34,377,786	5.4	34,377,786	5.4	4.0	4.5	4.2
Blackrock, Inc.	5.2	30,531,716	4.8	30,531,716	5.0	4.7	5.3	4.9
Group CDC	2.5	14,830,492	4.7	29,660,984	3.1	5.8	3.2	6.0
Employees	4.5	26,425,445	7.1	44,953,134	3.8	6.0	4.0	6.3
Own shares	0.0	1,058	-	-	0.0	-	0.0	-
Treasury shares	6.3	37,544,082	-	-	4.0	-	2.3	-
Public	75.7	448,788,180	77.9	492,728,619	78.7	79.5	76.5	74.7
TOTAL	**100.0**	**592,498,759**	**100.0**	**632,252,239[(3)]**	**100.0**	**100.0**	**100.0**	**100.0**

(1) To the best of the company's knowledge.
(2) Table lists ownership stakes that have breached 5% ownership or voting rights threshold in previous 3 years.
(3) Number of voting rights as defined in article 223-11 of the AMF general regulations, which includes shares deprived of voting rights.

Disclosure thresholds

To the best of the company's knowledge, no shareholders other than 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 stakes equal to or greater than 5%)

Date	Company	Capital (%)	Voting rights (%)
June 30, 2016	BlackRock	4.93	4.61
June 17, 2016	BlackRock	5.30	4.96
April 21, 2016	BlackRock	5.36	5.01
April 20, 2016	BlackRock	5.34	4.99
March 29, 2016	BlackRock	5.41	5.05
March 24, 2016	BlackRock	5.29	4.94
March 22, 2016	BlackRock	5.42	5.06
March 21, 2016	BlackRock	5.12	4.78
March 18, 2016	BlackRock	5.41	5.06
March 17, 2016	BlackRock	5.24	4.89
March 14, 2016	Sun Life Financial	5.00	4.67
February 12, 2016	BlackRock	5.53	5.17
February 9, 2016	BlackRock	5.02	4.69
February 3, 2016	BlackRock	4.71	4.40
February 1, 2016	BlackRock	5.01	4.68

Pledges on Schneider Electric SE shares

471,091 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)	2016	2015	2014	2013	2012
Profit-based incentive plans and profit-sharing plans	75.2	66.4	63.5	76.7	50.9

In 2016, 56% of the total from incentives and profit-sharing was invested in the Schneider Electric shareholder fund and nearly 14% was cashed out by employees.

5.2 The "Schneider Electric" employee shareholding

Schneider Electric employees are the drivers of Company growth. They are the main force behind the Group with their knowledge of the business and their involvement in the roll-out of Group strategy. By linking employees to its capital, Schneider Electric allows them to profit from value creation other than by their salary, thus aligning the interests of the employees and the company. In countries where regulations permit, Schneider Electric offers its employees the opportunity to invest during share capital increases reserved for its employees.

The Group's last employee share issue took place in July 2016. This operation, without leverage effect, was offered to approximately 90% of employees, 35% of employees subscribed to the share capital increase and 2.8 million shares were thus subscribed for a total amount of EUR131 million.

On December 31, 2016, Group employees held a total of 26.4 million Schneider Electric SE shares through the corporate mutual funds (FCPE) or directly, or through Performance share plans, representing 4.5% of the capital and 7,1% of the voting rights, taking into account double voting rights.

Voting rights attached to shares held by corporate mutual funds are exercised by the supervisory boards of the corporate mutual funds.

The Group's employee shareholders are broken down as follows: 30% in France where they represent 54% of employee shareholding, 8% in the United States and 62% elsewhere. More than 40% of employees are shareholders of the Group. They are spread among nearly 60 countries.

6. Shares and stock option plans

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

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 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 3,153 beneficiaries in 2015 long-term incentive plan and 3,441 in the 2016 long-term incentive plan.

Allocations to Group Senior Management, including executive officers, represented 10.9% of the total attributions in the framework of the 2015 long-term incentive plan. They are of 10.1% in the framework of the 2016 long-term incentive plan.

In addition, Schneider Electric exceptionally grants free shares. These grantes are decided by the board of directors when it considers that, instead of allocating cash, a payment in shares is preferable to correlate this benefit with Group's long-term development through the evolution of the share price and/or create a retention element.

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, vesting period for share allocations is 3 years, 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 the plan 27, the vesting period for share allocations is 3 years. There is no lock-up period.

Performance shares vest only if the beneficiary is a Group employee as of the vesting date and if certain performance targets, detailed below, are met (see page 285).

Since January 2009, for executive officers, and since December 2011 for members of the Executive Committee, allocations of performance shares are fully subject 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 executive officers were subject to performance criteria since January 2009.

Description of Stock Appreciation Rights (SARs)

SARs mirror the mechanism of options. They are subject to conditions, particularly performance criteria. The beneficiary receives the proceeds in cash.

Lock-up period applicable to executive officers

The board of directors has set:

- a retention target of shares representing 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.

(1) The figures below have been calculated where necessary to take account of the 2-for-1 share split, effective from September 2, 2011.

Executive officers formally commit for each grant of shares since 2014 not to engage in hedging transactions in respect of their own risks on the shares until the end of their duties as executive officers.

Stock options and shares held by executive officers

Mr. Jean-Pascal Tricoire

As of December 31, 2016, Mr. Jean-Pascal Tricoire's situation with regard to stock options and shares grants was as follows:

(i) 229,094 options may be exercised under plans 30, 31, 33;

(ii) 226,760 shares are being acquired and are subject to performance conditions under plans 16, 18, 19 a and b, 20 a, b and c, 21, 22, 25, 26;

(iii) 29,040 performance shares, of which 15,000 are vested under plan 15 and will become available as of March 28, 2017 and 14,040 are vested under plan 17 and will become available as of March 31, 2018;

(iv) 113,238 performance shares are vested and are available under plans 1, 3, 5, 8 and 10;

(v) 184,677 shares issued from stock options exercised under plan 20, 24, 28.

Mr. Emmanuel Babeau

As of December 31, 2015, Mr. Emmanuel Babeau's situation with regard to stock options and shares grants was as follows:

(i) 59,750 shares are being acquired under plans 17, 19 a and b, 20 a and b, 21 and 22, 25, 26;

(ii) 44,280 performance shares, of which 24,000 are vested under plan 15 and will become available as of March 28, 2017 and 20,280 shares are vested under plan 17 and will be available as of March 31, 2018;

(iii) 22,000 performance shares are vested and are available under plan 13.

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, 2016(2)
28	21/12/2006	489	2,514,240	39.60	50% of options – 2007 and 2008 operating margin and revenue	100	-	-
29	23/04/2007	43	166,300	45.55	50% of options – 2007 and 2008 operating margin and revenue	100	-	46,164
30	19/12/2007	542	1,889,852	43.19	50% of options – 2008 and 2009 operating margin and revenue	-	887,952	222,377
31	05/01/2009	328	1,358,000	24.46	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	257,209
33	21/12/2009	391	1,652,686	35.6	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	-	553,224
			7,581,078			**-**	**1,021,712**	**1,078,974**

** 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 and May 2016.*
(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 (2016)*

Plan	Plan date	Type of plan(1)	Expiration date	Exercise price *(in euros)*(2)	Plans as at December 31, 2015	of which executive officers	Number of options exercised during the financial year	Number of options cancelled during the financial year	Options outstanding at December 31, 2016
28	12/21/2006	S	12/20/2016	39.60	615,357	165,905	(576,199)	(39,158)	
29	04/23/2007	S	04/22/2017	45.55	53,951	-	(6,606)	(1,181)	46,164
30	12/19/2007	S	12/18/2017	43.19	313,628	44,283	(102,786)	11,535	222,377
31	01/05/2009	S	01/04/2019	24.46	313,134	73,930	(69,489)	13,564	257,209
33	12/21/2009	S	12/20/2019	35.60	687,069	102,681	(161,782)	27,937	553,224
					1,983,139	**386,799**	**(916,862)**	**12,697**	**1,078,974**

* *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 and May 2016.*
(1) S = Subscription stock option plan.
(2) Average of the 20 quotations preceding the grant, with no discount or premium.

6.3 Situation of executive officers(1), broken down by plan (at December 31, 2016)*

28	Jean-Pascal Tricoire	-
30	Jean-Pascal Tricoire	45,924
31	Jean-Pascal Tricoire	76,681
33	Jean-Pascal Tricoire	106,489

* *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.and May 2016.*
(1) In the role as executive officer at the date of grant.

6.4 Past share plans (at December 31, 2016)*

Plan number	Plan 13	Plan 14 & 14 *bis*(2)	Plan 14 *ter*	Plan 15
Grant date	12/16/2011	12/16/2011	07/27/2012	03/28/2013
No. of shares at grant	647,943	1,386,800	1,500	645,550
of which:				
◆ JP Tricoire	50,000	-	-	15,000
◆ E Babeau	22,000	-	-	24,000
Vesting/delivery date	03/17/2014	12/16/2015	07/28/2016	03/28/2015
End of holding period	03/17/2016	-		03/28/2017
Performance conditions	*50%* of the shares/100% for the management board and Executive Committee – 2012 and 2013 operating margin(3) and change in the Planet & Society Barometer at the end of 2013	Same as plan 13	Same as plan 13	50% of the shares/100% for the management board and Executive Committee – 2013 and 2014 operating margin(3) and change in the Planet & Society Barometer at the end of 2014
% achievement performance condition(4)	100%	100%	100%	100%
No. of rights outstanding as of Dec. 31, 2015	-	-	1,500	-
No. of rights granted in 2016				
No. of shares delivered in 2016		(1,250)	(1,500)	
No. of rights cancelled(1) in 2016		1,250	-	-
No. of rights outstanding as of Dec. 31, 2016	-	-	-	-

* *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 conditions.
(2) Plan 14bis includes one beneficiary.
(3) Excluding restructuring costs.
(4) In 2017, an adjustment for performance conditions achievement will be calculated on plans 21, 22, 21 bis and 22 bis.

Plan 15 *bis*	Plan 16	Plan 16 *bis*	Plan 17	Plan 17 *bis*	Plan 18
10/24/2013	03/28/2013	10/24/2013	03/31/2014	10/28/2014	03/31/2014
4,500	1,844,830	19,600	714,480	500	2,177,320
-	35,000	-	18,000	-	42,000
-	-	-	26,000	-	-
10/24/2015	03/28/2017	10/24/2017	03/31/2016	10/28/2016	03/31/2018
10/26/2017			04/02/2018	10/29/2018	04/02/2018
Same as plan 15	Same as plan 15	Same as plan 15	50% of the shares/100% for the executive officers and Executive Committee – 2014 and 2015 operating margin(3), 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%	100%	78%	78%	78%
-	1,586,955	19,100	706,130	500	1,993,790
	(350)		(615,390)	(445)	(223)
-	(23,425)	-	(90,740)	(55)	(283,292)
-	1,563,180	19,100	-	-	1,710,275

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: ◆ JP Tricoire	-	11,700	27,300	18,000
◆ E Babeau	-	2,325	5,425	7,800
Vesting/delivery date	10/28/2018	07/18/2017 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 executive officers and Executive Committee – 2015 and 2016 operating margin(3), average ROCE for the years 2015 and 2016 and change in the Planet & Society Barometer at the end of 2016
% achievement performance condition(4)	78%	-	-	71%
No. of rights outstanding as of Dec. 31, 2015	30,700	14,025	32,725	714,070
No. of rights granted in 2016				
No. of shares delivered in 2016				(1,300)
No. of rights cancelled(1) in 2016	(4,267)	-	-	(13,900)
No. of rights outstanding as of Dec. 31, 2016	26,433	14,025	32,725	698,870

* *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 conditions.
(2) Plan 14bis includes one beneficiary.
(3) Excluding restructuring costs.
(4) In 2017, an adjustment for performance conditions achievement will be calculated on plans 21, 22, 21 bis and 22 bis.

Plan 21 *bis*	Plan 22	Plan 22 *bis*	Plan 22 *ter*	Plan 23	Plan 24
10/28/2015	03/27/2015	10/28/2015	10/28/2015	03/23/2016	03/23/2016
1,500	2,095,610	32,650	24,570	7,983	27,042
-	42,000	-	-	-	-
-	18,200	-	-	-	-
10/28/2017	03/27/2019	10/28/2019	10/28/2019	03/23/2018	03/23/2020
10/30/2019				03/23/2020	03/23/2020
Same as plan 21	Same as plan 21	Same as plan 21	No performance condition	No performance condition	No performance condition
71%	71%	71%	-	-	-
1,500	2,051,860	32,650	24,570	-	-
				7,983	27,042
	(1,350)				
-	(44,150)	-	-	-	-
1,500	2,006,360	32,650	24,570	7,983	27,042

Plan number	Plan 25	Plan 26	Plan 27	Total
Grant date	03/23/2016	03/23/2016	10/26/2016	
No. of shares at grant	744,540	2,291,200	35,700	13,501,438
of which:				
◆ JP Tricoire	18,000	42,000	-	319,000
◆ E Babeau	7,800	18,200	-	131,750
Vesting/delivery date	03/30/2019	03/23/2020	10/26/2019	
End of holding period	03/31/2021			
Performance conditions	50% of the shares/100% for the executive officers and Executive Committee – 2016, 2017, 2018 Adjusted EBITA achievement rate, 2016, 2017, 2018 Cash conversion rate average, TSR ranking at the end of the vesting period, Planet & Society Barometer index at the end of 2018	*Same* as plan 25	70% of the shares – 2016, 2017, 2018 Adjusted EBITA achievement rate, 2016, 2017, 2018 Cash conversion rate average, TSR ranking at the end of vesting period, Planet & Society Barometer index at the end of 2018	
% achievement performance condition(4)	-	-	-	
No. of rights outstanding as of Dec. 31, 2015	-	-	-	7,210,075
No. of rights granted in 2016	744,540	2,291,200	35,700	3,106,465
No. of shares delivered in 2016				(621,808)
No. of rights cancelled(1) in 2016	(1,150)	(17,800)	-	(477,529)
No. of rights outstanding as of Dec. 31, 2016	743,390	2,273,400	35,700	9,217,203

(*) 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 conditions.
(2) Plan 14bis includes one beneficiary.
(3) Excluding restructuring costs.
(4) In 2017, an adjustment for performance conditions achievement will be calculated on plans 21, 22, 21 bis and 22 bis.

6.5 Situation of executive officers[1], broken down by share plan (at December 31, 2016)

The data below are adjusted for the 2-for-1 share split, effective September 2, 2011.

(In italics, shares still subject to performance conditions)		
1	Jean-Pascal Tricoire	10,588[2]
3	Jean-Pascal Tricoire	6,750[2]
5	Jean-Pascal Tricoire	22,500[2]
8	Jean-Pascal Tricoire	25,000[2]
10	Jean-Pascal Tricoire	48,400[2]
13	Jean-Pascal Tricoire	50,000[2]
13	Emmanuel Babeau	22,000[2]
15	Jean-Pascal Tricoire	15,000[2]
15	Emmanuel Babeau	24,000[2]
16	Jean-Pascal Tricoire	35,000[2]
17	Jean-Pascal Tricoire	14,040[2]
17	Emmanuel Babeau	20,280[2]
18	Jean-Pascal Tricoire	32,760
19 a, b	Jean-Pascal Tricoire	11,700
19 a, b	Emmanuel Babeau	2,325
20 a, b, c	Jean-Pascal Tricoire	27,300
20 a, b	Emmanuel Babeau	5,425
21	*Jean-Pascal Tricoire*	*18,000*
21	*Emmanuel Babeau*	*7,800*
22	*Jean-Pascal Tricoire*	*42,000*
22	*Emmanuel Babeau*	*18,200*
25	*Jean-Pascal Tricoire*	*18,000*
25	*Emmanuel Babeau*	*27,800*
26	*Jean-Pascal Tricoire*	*42,000*
26	*Emmanuel Babeau*	*18,200*

(1) In the role as executive officer at the date of attribution.
(2) Shares availability dates: December 20, 2011 for plan 1, December 18, 2012 for plan 3, February 22, 2014 for plan 5, February 22, 2014 for plan 8, March 17, 2015 for plan 10, March 18, 2016 for plan 13, March 28, 2017 for plan 15, March 28, 2017 for plan 16, April 31, 2018 for plan 17.

6.6 Options granted and exercised and stock grants made to the top 10 employee grantees during the year

The data below are adjusted for the 2-for-1 share split, effective September 2, 2011.

Stock options or share purchase options granted to the 10 most highly paid employees (excluding executive officers) and options exercised by them

	Number	Exercise price/ Average weighted price	Plan
Options exercised in 2016 of which the number of shares bought or subscribed is the highest	213,880	EUR36.16	28-30-31-33

Shares awarded to the 10 most highly paid employees (excluding executive officers)

	Number	Plan
2016 Performance share grant (annual plan allocation of March 23, 2016)	200,500	25-26

7. Disclosure of information required in accordance with article L.225-100-3 of the French Commercial Code (*Code de commerce*)

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

Items that could have an impact in the event of a public tender offer include:

- agreements calling for payments to the corporate officers (see pages 170 and 177) 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 7.4 "Market risks" page 44);
- statutory restrictions in the articles of association on the exercise of voting rights (see page 297) relating to the non-application of the ceiling on voting rights when a public tender offer is successfully completed.

8. Stock market data

In France, Schneider Electric is listed on Euronext Paris (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
2015	August	47,139	2,739	65.26	52.03	21
	September	53,400	2,839	57.04	48.57	22
	October	46,562	2,436	55.60	49.02	22
	November	39,011	2,232	60.00	54.16	21
	December	46,029	2,519	59.92	51.37	22
2016	January	56,570	2,744	51.95	45.57	20
	February	50,791	2,552	54.90	45.32	20
	March	33,600	1,864	57.79	53.17	21
	April	38,275	2,146	59.81	51.84	21
	May	28,158	1,568	58.40	52.96	22
	June	46,720	2,530	58.94	49.50	22
	July	31,024	1,694	59.80	49.90	21
	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	58.89	21
	November	33,789	2,088	64.89	58.05	22
	December	27,305	1,766	66.63	61.53	21
	Total 2016	**432,386**	**24,208**	**66.63**	**45.32**	**256**
2017	January	25,786	1,732	68.95	65.40	22
	February	27,734	1,842	69.53	63.36	20

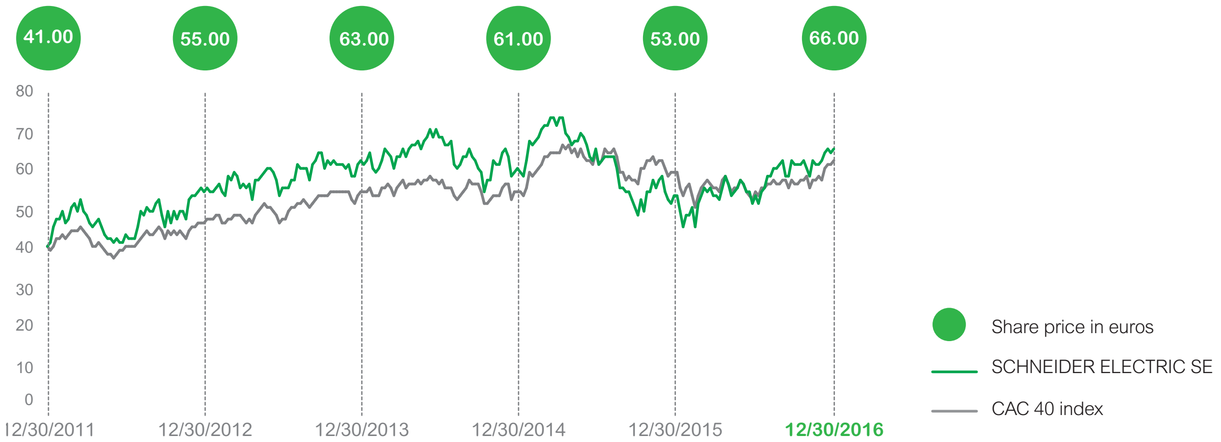
(1) The data corresponds to trading volumes on NYSE Euronext.
(2) During the trading session.

Five-year trading summary

	2016	2015	2014	2013	2012
Average daily trading volume on the Paris stock exchanges (NYSE Euronext):					
◆ Number of shares *(in thousands)*	1,689.00	2,107.54	1,672.33	1,439.54	1,886.81
◆ in million of euros	94.56	130.16	106.20	84.70	89.36
High and low share prices *(in euros)*					
◆ high	66.63	75.29	72.22	66.99	56.37
◆ low	45.32	48.57	52.59	52.49	39.40
Year-End closing price *(in euros)*	66.11	52.56	60.61	63.40	54.83
Yield *(%)*	3.09	3.81	3.17	2.95	3.41

The data corresponds to trading on volumes on NYSE Euronext.

The Schneider Electric SE share results *versus* the CAC 40 index (rebased) over 5 years



MONEP

Schneider Electric SE shares have been traded on the MONEP market since December 20, 1996.

8.1 Ordinary bonds

The information is disclosed in note 9 of the company financial statements (pages 285 and 286).

9. Investor relations

9.1 Person responsible for financial information

Emmanuel Babeau

Deputy CEO, in charge of Finance and Legal Affairs

35, rue Joseph-Monier – CS30323

92506 Rueil-Malmaison Cedex - France

Tel: +33 (0)1 41 29 71 19

9.2 Contacts

Any information or document may be requested from:

Amit Bhalla – Vice-President Financial Communication and Investor Relations

For institutional investors and financial analysts: Tel: +33 (0)1 41 39 32 51

For individual investors:

- toll-free number in France: 0800 20 55 14 / +33 (0)1 41 39 32 44
- email: actionnaires@schneider-electric.com

9.3 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.

8 Annual Shareholders' Meeting

1. Report of the board of directors to the Combined Annual and Extraordinary Shareholders' Meeting

1.1 Ordinary Meeting

Approval of corporate financial statements – First Resolution

We request you to approve the transactions and financial statements for the year 2016, as presented, which show a net loss of EUR99.7 million. This loss is a result of the policy implemented by the company since 2013 to strengthen the company's equity of its wholly-owned subsidiary Schneider Electric Industries SAS. In effect, the company, which has EUR8.7 billion in equity, opts to leave at the level of Schneider Electric Industries SAS, which owns all of the entities which form the Group, any dividends and financial income that the latter receives from its own subsidiaries in order to allow it to have an appropriate level of equity.

Approval of consolidated financial statements – Second Resolution

We request that you approve the transactions and consolidated financial statements for the year 2016, as presented, which show net income for the Group of EUR1,750 million and an adjusted net income from non-recurring items (asset impairment, restructuring costs, gains and losses linked to business disposals...) of EUR2,117 million.

Distribution: appropriation of income, withholding on share premiums and setting of a coupon of EUR2.04 per share - Third Resolution

We recommend offsetting the loss from the financial year and the losses carried forward on issue premiums relating to the contribution of Legrand shares.

We also recommend a distribution of **EUR2.04 per** EUR4 par nominal value share, which represents a distribution rate 57.1% of the Group's net adjusted income. It will be paid on **May 10, 2017** on the 592,498,759 shares with dividend rights on January 1, 2017 that made up the capital on December 31, 2016. No dividend will be paid on shares held in treasury by the company on the payment date.

This distribution which amounts to EUR1,208,697,468.36 shall be withheld on issue premiums relating to the contribution of Legrand shares.

The distribution will be paid on May 10, 2017, according to the following schedule:

Coupon ex-date	Monday, May 08, 2017
Record date	Tuesday, May 09, 2017
Coupon payment date	Wednesday, May 10, 2017

For individual shareholders resident for tax purposes in France, the distribution of EUR2.04 per share constitutes contribution repayment. On this basis, it is not subject to income tax, in pursuance of article 112-1° of the French Tax Code, as all earnings and reserves other than the legal reserve have been allocated.

Shareholders are invited to consult their usual advisors for any further precision regarding the applicable tax regime.

Dividends/coupons paid by Schneider Electric SE in respect of the 3 most recent financial years are as follows:

	2013	**2014**	**2015**
Net dividend paid per share *in EUR*	1.87	1.92	2.00

Agreements regulated by articles L.225-38 and L.225-42-1 – Fourth Resolution

We request you to 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.

Under the **Fourth Resolution**, we request you to approve the agreement setting at EUR250,000, excluding tax and expenses reimbursed at actuals, the annual compensation of Mr. Léo Apotheker for his duties as Vice-Chairman lead independent director, being specified that as a director Mr. Apotheker also receives attendance fees which amounted to EUR130,000 in 2016. The board of directors considered this compensation as appropriate given the assignments performed towards the senior management and the shareholders.

In relation to the above resolution, we also request you to take note of the statutory auditor's special report on regulated agreements and commitments prepared in accordance with article L.225-40 of the French Commercial Code regarding the implementation during the financial year of agreements and commitments already approved by the Annual Shareholders' Meeting. These agreements and commitments mainly concern the status of Messrs. Jean-Pascal Tricoire and Emmanuel Babeau.

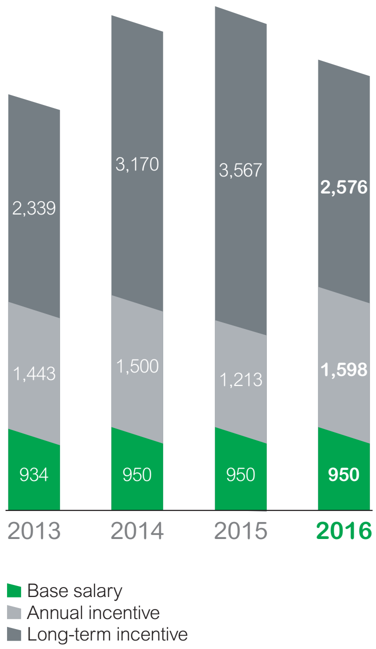
Consultation of shareholders on individual Group compensation of corporate officers – Fifth and Sixth Resolutions

In accordance with the recommendations of the AFEP/MEDEF corporate governance guidelines, you are requested to give a favorable opinion on the compensation elements due or awarded to your company's corporate officers for the 2016 FY. These elements are presented in the tables below. For further details, notably on the comments on the achievement rates, you are invited to refer to Section 3.7 of the registration document.

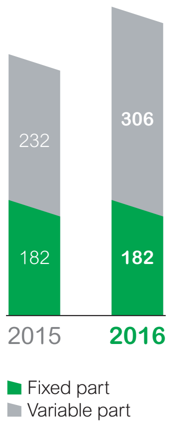
By the **Fifth Resolution** you are requested to give a favorable opinion on the elements of Mr. Jean-Pascal Tricoire's 2016 compensation and by the **Sixth Resolution** on those of Mr. Emmanuel Babeau.

The annual recurrent compensation and payments for retirement for Jean-Pascal Tricoire and Emmanuel Babeau are detailed in the tables below.

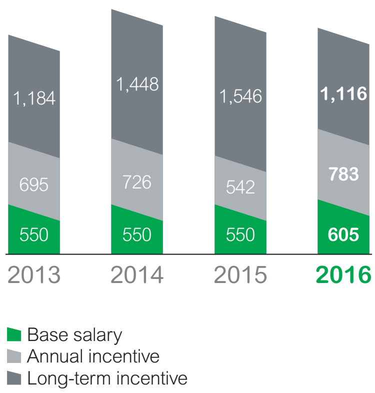
Annual fixed and variable compensation plus long-term incentives for Mr. Tricoire *(in thousands of euros)* for the years 2013 to 2016



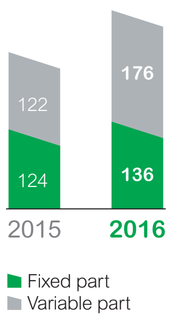
Complementary payments (fixed and variable parts) for retirement to Mr. Tricoire *(in thousands of euros)* for the years 2015 and 2016



Annual fixed and variable compensation plus long-term incentives for Mr. Babeau *(in thousands of euros)* for the years 2013 to 2016



Complementary payments (fixed and variable parts) for retirement for Mr. Babeau *(in thousands of euros)* for the years 2015 and 2016



Mr. Jean Pascal Tricoire, Chairman and CEO

I – Elements of compensation due or awarded for the past FY

	Amounts submitted to the vote	Description
1) Base salary	EUR950,000	Gross annual fixed compensation of EUR950,000 from January 1, 2016 to December 31, 2016 set by the board of directors on February 16, 2016. This compensation has remained unchanged since 2013.
2) Annual incentive	EUR1,598,090	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 15, 2017, annual incentives for 2016 paid in March 2017 were set at 168.22% of the fixed portion, which represents an achievement rate of 129.4% on a base 100. This calculation is broken down as follows: 1) **Economic criteria component (60%) based on:** ◆ Group financial indicators (40%), which are organic sales growth (13.33%), adjusted EBITA (13.33%) and cash generation targets (13.33%), ◆ Company program priorities (20%), which are the growth of transactional sales (6.67%) and field services sales (6.67%) as well as systems gross margin (projects and equipment) (6.67%); The achievement rate in connection with these criteria was 138.33% (base 100). 2) **Non-economic criteria component (20%)** based on customer satisfaction (10%) and Planet & Society Barometer (10%), for which achievement rate was 132% (base 100). 3) **Individual objectives (20%)**, which are specific objectives and, wherever possible, quantified, for which the board set the achievement rate 100%. The multiple value was set at 1 without any impact on the amount of the incentive part.
3) Complementary payments for retirement Annual complementary fixed portion Annual complementary variable portion	 EUR182,000 EUR306,160	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. Accordingly, Mr. Tricoire 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 rate (target rate of 130% of the fixed complementary part and variable part varying from 0 to 260%) of the annual incentive (see above). At the meeting held on February 15, 2017 the annual complementary variable portion for 2016 paid in March 2017 was set by the board of directors at 168.22% of the annual complementary fixed portion, i.e. an achievement rate of 129.4% 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)	EUR761,400 for 18,000 performance shares according to IFRS valuation	18,000 performance shares were granted under plan no. 25 to Mr. Tricoire in his capacity as Chairman and CEO of Schneider Electric SE
	EUR1,814,400 for 42,000 performance shares according to IFRS valuation	42,000 performance shares were granted under plan no. 26 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 2016 to 2018 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 2016 to 2018 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 2016, the board had decided that, if the Adjusted EBITA margin decreased by at least -10 basis points before foreign exchange impact compared with 2015, the achievement rate for the year would be 0% and if it increased by at least +40 basis points before foreign exchange impact, then the achievement rate for this criteria for 2016 would be 100% with a linear distribution between the 2 points; ◆ 25% of the shares are conditional on Group Cash conversion rate for 2016 to 2018 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; ◆ 20% of the shares are contingent on the progress of the Planet & Society Barometer index at the end of vesting period as follows: If this index is lower than or equal to 8, 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 2016 to 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 non-achievement of the Adjusted EBITA target on rate of cash conversion target over the three-year period. However, final acquisition of shares at the end of the three-year period will nevertheless be capped at 100% of 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 quarter (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 annual fixed compensation. The percentage of capital represented by Mr. Tricoire's share allocation is 0.01%. Date of authorization by the Annual Shareholders' Meeting: April 25, 2013 Resolution number: Sixteenth Date of the award decision by the board of directors: March 23, 2016.
5) Attendance fees	EUR0	Mr. Tricoire has waived his attendance fees.
6) Other benefits	EUR2,204	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 16, 2016. ◆ 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 18, 2015.
	EUR8,388	Mr. Tricoire benefited from profit-sharing Date of approval by the board: February 16, 2016.

	Amounts submitted to the vote	Description
	EUR13,408	Mr. Tricoire benefited from company car Date of approval by the board: February 16, 2016.

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 2016 registration document).* Board decision of June 18-19, 2013. Date of approval by the Annual Shareholders' Meeting: May 6, 2014 (Fifth Resolution)
Non-compete compensation	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 2016 registration document).* Board decisions of 2009, 2012, and June 18-19, 2013, amended on October 24, 2013. Dates of approval by the Annual Shareholders' Meeting: 2009, 2012 and May 6, 2014
Supplementary pension scheme	N/A	*(For the record)* By decision of the board of directors' meeting of February 18, 2015, Mr. Tricoire has lost the benefits of the defined-benefit pension scheme of 1995 and 2012 (article 39) for corporate executive officers, from which he previously benefitted. *(See Section 3-7 of the 2016 registration document).* Board decision of February 18, 2015 Date of approval by the Annual Shareholders' Meeting: April 21, 2015 (Fifth Resolution)
Supplementary Life & Disability scheme	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 2016 registration document).* Board decision of February 18, 2015. Date of approval by the Annual Shareholders' Meeting: April 21, 2015 (Fifth Resolution) Moreover, in addition to the benefits of the collective 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, and June 18-19, 2013 and February 18, 2015. Dates of approval by the Annual Shareholders' Meeting: 2009, 2012, 2013 and April 21, 2015 (Fifth Resolution)

Mr. Emmanuel BABEAU, Deputy CEO

I – Elements of compensation 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, 2016 to December 31, 2016 set by the board of directors on February 16, 2016. The fixed part, which had been unchanged since 2013, has been increased in 2016 to account for the Group's evolution and development and, Mr. Babeau's expanded responsibility over the period.
2) Annual incentive	EUR782,870	The target annual incentive amounts to 100% of fixed compensation. The annual incentive may vary from 0 to 200% depending on achievement of objectives. In 2015 the target annual incentive amounted to 100%. At the board meeting held on February 15, 2017, annual incentives for 2016 paid in March 2017 were set at 129.4% of the fixed portion, *i.e.* an achievement rate of 129.4% on a base 100. This calculation was broken down as follows: 1) **Economic criteria component (60%) based on:** ◆ Group financial indicators (40%), which are organic sales growth (13.33%), adjusted EBITA (13.33%) and cash generation targets (13.33%), ◆ company program priorities (20%), which are the growth of transactional sales (6.67%) and field services sales (6.67%) as well as systems gross margin (projects and equipment) (6.67%); The achievement rate in connection with these criteria was 138.33%. 2) **Non-economic criteria component (20%)** based on customer satisfaction (10%) and Planet & Society Barometer (10%), for which achievement rate was 132%. 3) **With respect to individual objectives (20%)**, which are specific objectives and, wherever possible, quantified, for which the board set achievement rate at 100%. The multiple value was set at 1 without any impact on the amount of the incentive part.
3) Complementary payments for retirement		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, he 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	EUR176,502	At the meeting held on February 15, 2017 the annual complementary variable portion for 2016 paid in March 2017 was set by the board of directors at 129.4% of the annual complementary fixed portion, *i.e.* an achievement rate of 129.4% 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)	EUR329,940 for 7,800 performance shares according to IFRS valuation	7,800 performance shares were granted under plan no.25 to Mr. Babeau in his capacity as Deputy CEO of Schneider Electric SE.
	EUR786,240 for 18,200 performance shares according to IFRS valuation	18,200 performance shares were granted under plan no.26 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 2016 to 2018 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 2016 to 2018, 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 2016, the board has decided that, if the Adjusted EBITA margin decreased by at least 10 basis points before foreign exchange impact compared with 2015, the achievement rate for the year would be 0% and if it increased by at least +40 basis points before foreign exchange impact, then the achievement rate for this criteria for 2016 would be 100% with a linear distribution between the 2 points; ◆ 25% of the shares are conditional on Group Cash conversion rate for 2016 to 2018 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; ◆ 20% of the shares are contingent on the progress of the Planet & Society Barometer index at the end of 2018 as follows: If this index is lower than or equal to 8, 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 2016 to 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 non-achievement of the Adjusted EBITA target on rate of cash conversion target over the three-year period. However, final acquisition of shares at the end of the three-year period will nevertheless be capped at 100% of 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 quarter (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 annual fixed compensation. The percentage of capital represented by Mr. Babeau's share allocation is 0.004%. Date of authorization by the Annual Shareholders' Meeting: April 25, 2013. Resolution number: Sixteenth. Date of the award decision by the board of directors: March 23, 2016.
5) Attendance fees	N/A	
6) Other benefits	EUR7,246	Mr. Babeau benefited from profit-sharing. Board authorization: February 16, 2016
	EUR700	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 16, 2016.
	EUR13,197	Mr. Babeau benefited from a company car. Board authorization: February 16, 2016

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 2016 registration document).* Board decision of June 18-19, 2013 and February 18, 2015. Dates of approval by the Annual Shareholders' Meeting: May 6, 2014 and April 21, 2015 (Sixth 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 2016 registration document).* Board decisions of June 18-19, 2013 amended in October 24, 2013, and February 18, 2015. Dates of approval by the Annual Shareholders' Meeting: May 6, 2014 and April 21, 2015.
Supplementary pension scheme	N/A	(For the record) Mr. Babeau has lost the benefits of the defined-benefit pension scheme of 1995 and 2012 (article 39) for corporate executive officers, as well as those from defined-contribution pension plan (article 83) for French executives of the Group, due to giving up his employment contract with Schneider Electric Industries SAS, on February 18, 2015. *(See Section 3-7 of the 2016 registration document).* Application of the board's February 18, 2015 decision relating to the cancelation of the benefit from an article 39 supplementary pension scheme for corporate executive officers.
Supplementary 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 2016 registration document).* Board decision of February 18, 2015. Date of approval by the Annual Shareholders' Meeting: April 21, 2015 (Sixth Resolution) Moreover, in addition to the benefits of the collective welfare scheme applicable to Schneider Electric SE and Schneider Electric Industries SAS employees covering risks of illness, incapacity, disability and decease, Mr. Babeau also benefits from the complementary cover granted to French executives in the Group against risks of illness, incapacity, disability, decease and accident. Welfare compensation and complementary cover are subject to performance conditions. Board decisions of 2009, 2012, 2013 and February 18, 2015. Dates of approval by the Annual Shareholders' Meeting: 2009, 2012, 2013 and April 21, 2015 (Sixth Resolution)

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 2017 – Seventh and Eighth 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 to approve the principles and criteria governing the determination and allocation 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 2017.

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 as part of regulated agreements.

In the second half of 2016, the Governance and remunerations Committee deemed that the new legal regime was the opportunity to conduct a study of the methodology adopted by the board to determine the compensation granted to its corporate officers in the past 10 years (see registration document 2015, p. 151 and previous years) and issued a report in the form of a White Paper that was circulated to the board members.

It examined in particular:

a) **Whether the compensation package was competitive as compared to selected peers**, comparable to Schneider Electric or that represent a potential source for recruitment or attrition. The proposed compensation peer group is composed of relevant the relative TSR criteria applicable to:
   - international business competitors – in particular those identified in the Long-Term Incentive Plan,
   - talent competitors,
   - "acceptance" peers, *i.e.* groups of a similar size, business or structure.

The detailed peer group reviewed by the board and updated from the 2012 review, is as follows:

- Group 1: European peers - capital goods

ABB	Legrand
Philips	Siemens
Atlas Copco	

- Group 2: European construction companies

Vinci	Saint Gobain
ACS	Lafarge Holcim

- Group 3: European software companies

SAP	Dassault Systemes
Hexagon	

- Group 4: Various industrial B to B companies, possible competitors for talent and part of the same European indices for companies the size of Schneider Electric (Stoxx Europe 50)

Bayer	Syngenta
Air Liquide	Airbus
Thyssen Krupp	

- Group 5: US Peers

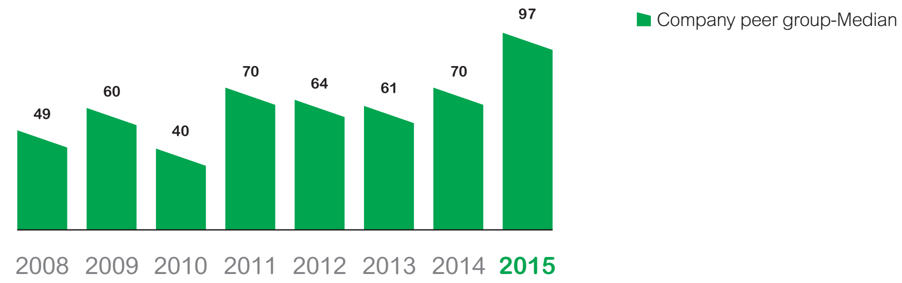
a) Capital goods
   Eaton
   Emerson
   JCI (Johnson Controls)
   Honeywell
   Rockwell Automation

b) Software companies
   PTC
   Autodesk

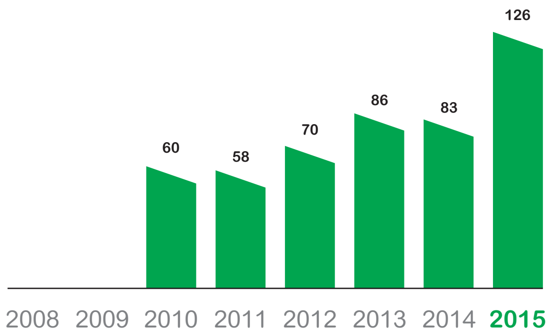
The results of the benchmarking with the peer group applicable for the relevant years are presented in the graphs below:

Finding: The benchmarking study concluded that the compensation awarded to the Chairman-CEO and to the Deputy-CEO is consistently aligned to the median of the peer group, in line with the objective set by the board.

Positioning of CEO compensation vs. benchmark (as % of benchmark)



Positioning of deputy CEO compensation vs. benchmark (as % of benchmark)



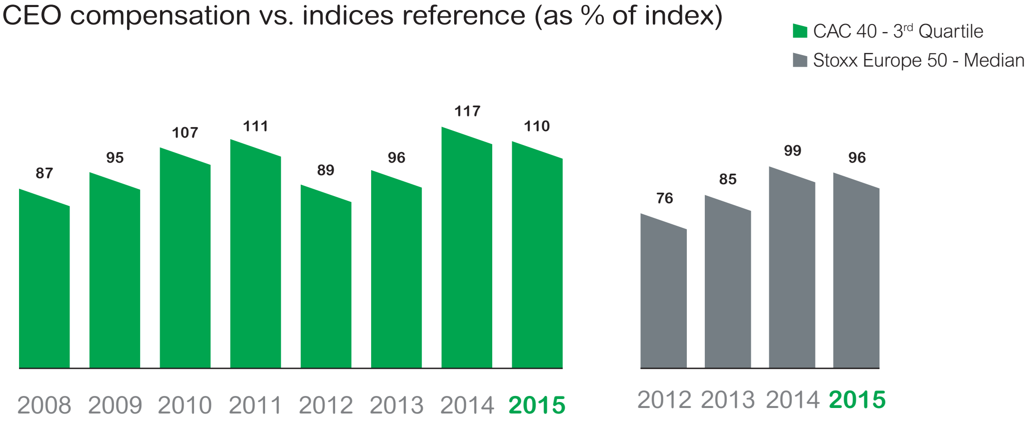
Notes: 1- Compensation includes base salary, short-term incentive and long-term incentive (performance shares) on target
2- For all panels the latest available data is extracted from 2015 Annual Reports

b) Whether the compensation package was positioned within the range of the upper quartile of the CAC 40 and the median of the Stoxx Europe 50 indices.

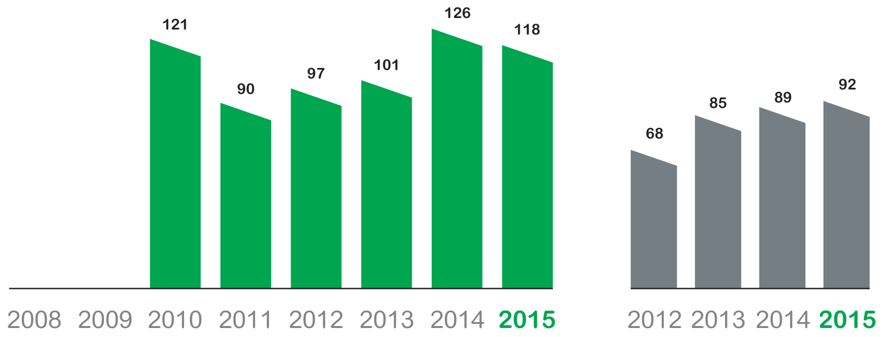
The benchmarking study concluded that the compensation granted to the CEO and Deputy-CEO was positioned within in an acceptable range the upper quartile of the CAC 40 and the median of the Stoxx Europe 50.

Finding: The study concluded that the compensation awarded to the Chairman-CEO and to the Deputy-CEO are within range set by the board for the relevant indices.

Positioning of CEO compensation vs. indices reference (as % of index)



Positioning of deputy CEO compensation vs. indices reference (as % of index)



Notes: 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 2015 Annual Reports

c) **Whether the compensation package was designed to pay for performance**:

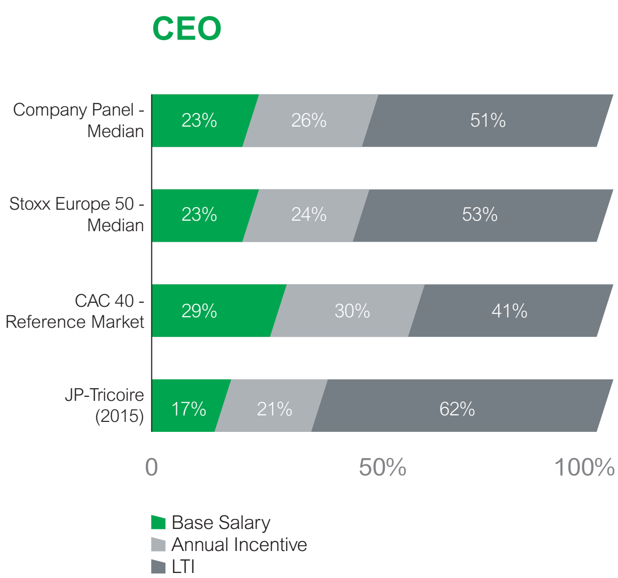
- by giving a prominent place to **variable** elements which make up around to 80% of the total compensation of the corporate officers, cash and benefits included;
- by determining the performance of the corporate officers based on criteria that are mainly **economic** (not less than 60% of the variable cash compensation and 80% of the long-term benefits in the form of performance shares) and **measurable** (not less than 80% of the variable cash compensation and 100% of the long-term benefits in the form of performance shares);
- by ensuring that Financial and Sustainability & Transformation objectives are fairly balanced and distributed between short-term (STIP) and medium-term (LTIP) components, in such manner that the orientations adopted by the corporate officers take into consideration both dimensions.

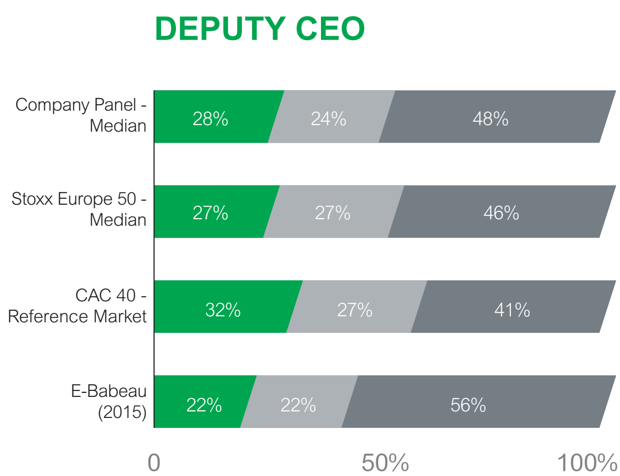
Findings: The study highligted that the compensation awarded to the Chairman-CEO and to the Deputy-CEO was designed to reward their individual and collective performance and in particular:

- that the corporate officers' pay mix was heavily weighted towards of the variable performance criteria, in a proportion significantly higher than the average of the market, whilst the fixed portion was on an average 6 points less than the average of the international peer group;
- that the determination of their compensation by the board based on the application of the performance criteria defined at the beginning of the year left little or no scope for subjectivity, whilst ensuring that the board could evaluate the personal contribution of the Corporate Officers;
- that the nature of the performance criteria and required performance reflected the short- and medium- term ambition conveyed to shareholders;
- that they incorporated performance factors that enable the Group to offer a lasting and satisfactory outlook for all the stakeholders in the company's success.

The graphs below illustrate these findings.

Pay-mix



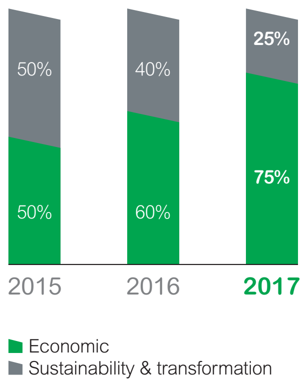


Criteria applicable to the Annual Incentive

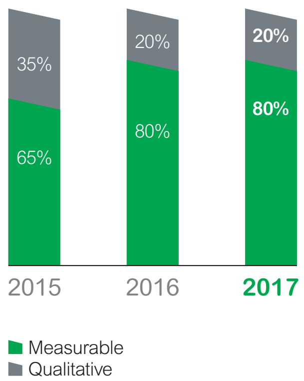
	2017	2016
Economic Criteria	**75%**	**60%**
Group	**60%**	**40%**
Organic Growth of the Group	30%	13.33%
Adjusted EBITA	20%	13.33%
Group cash conversion rate	10%	13.33%
Company program priorities	**15%**	**20%**
Services sales growth	5%	6,66%
Systems gross margin	5%	6,66%
Digital offer index*	5%	
Transactional sales growth		6,66%
Non-economic measurable criteria	**5%**	**20%**
Planet & Society Barometer	5%	10%
Customer Satisfaction		10%
Overall assessment by the board among which:	**20%**	**20%**
Individual goals determined by the board based on the company's strategic plan	20%	20%
TOTAL	**100%**	**100%**

* *The detailed nature of this criteria shall be kept confidential for business secret reasons.*

Weight of economic criteria



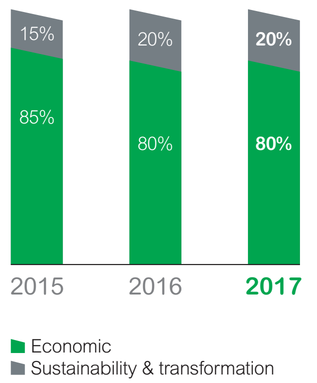
Weight of measure criteria



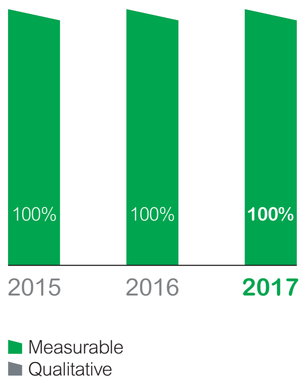
Criteria applicable to the Long-Term Incentive (Performance shares subject to a 3-year performance period)

	2017	2016
Criteria (weight)		
Adjusted EBITA (yearly achievement rate)	40%	40%
Group Cash conversion rate (achievement rate over 3 years)	25%	25%
Planet & Society Barometer (yearly measure of achievement for 2017 Plans)	20%	20%
Relative TSR ranking (achievement rate over 3 years)	15%	15%
TOTAL	**100%**	**100%**

Weight of economic criteria



Weight of measure criteria



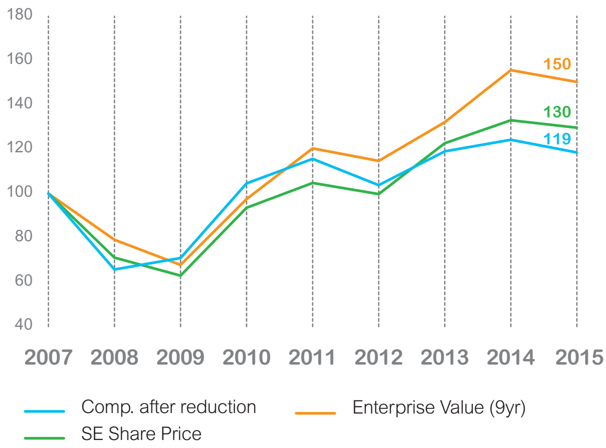
d) **Whether the methodology used to determine the corporate officers' compensation was appropriately designed to align compensation with the interests of shareholders**, with share-based benefits representing half of the total compensation or more.

The evolution of the compensation of the corporate officers after reduction of the number of shares eventually acquired on account of performance was compared to the evolution of the stock price and enterprise value. The graphs shown below show their alignment.

> **Finding**: The compensation package of the corporate officer was designed to align shareholder's interest and group performance as measured by the market. This proves that the objectives set are truly challenging and aligned to the expectations of the stakeholders.

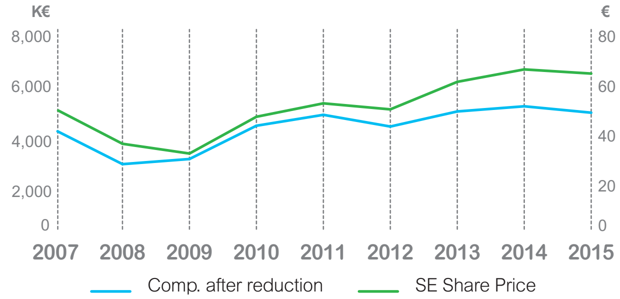
Pay--for performance: analysis for the CEO

CEO compensation vs shareholder returns (Base 100)

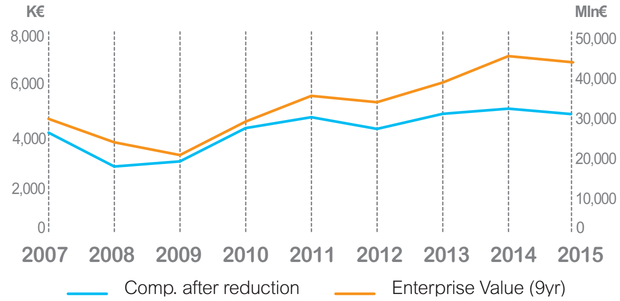


Note: the 'compensation after reduction' includes:
- *The base salary*
- *The short term incentive earned for the year in reference*
- *The value at grant (IFRS) of the long term inventive (performance shares/stock options) granted on the year in reference, multiplied by the actual achievement rate.*

CEO comp. (K€) vs se share price (€)

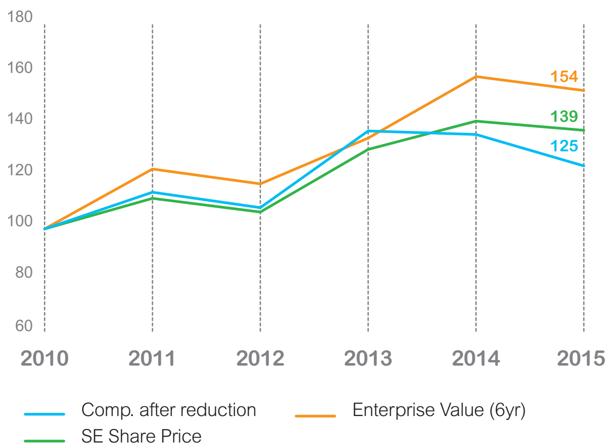


CEO comp. (K€) vs enterprise value (Mln€)



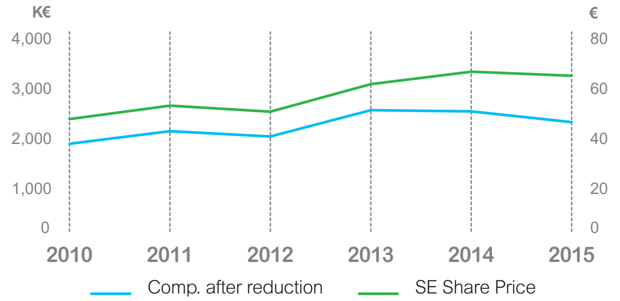
Pay--for performance: analysis for the deputy CEO

Deputy-CEO compensation vs shareholder returns (Base 100)

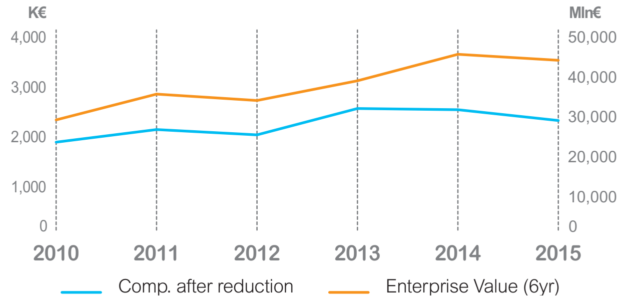


Note: the 'compensation after reduction' includes:
- *The base salary*
- *The short term incentive earned for the year in reference*
- *The value at grant (IFRS) of the long term inventive (performance shares/stock options) granted on the year in reference, multiplied by the actual achievement rate.*

Deputy-CEO comp. (K€) vs se share price €



Deputy-CEO comp. (K€) vs enterprise value (Mln€)



Based on the conclusions of this study and on the recommendation of the Governance and remuneration committee, 75% of whose members are independent under the definition given by the AFEP-MEDEF Code, the board of directors decided at its meeting of February 15, 2017, **to pursue the compensation policy applied to the Group's corporate officers, by maintaining the compensation structure applied in 2016,** whist introducing the following positive changes:

- increasing the weighting of economic criteria from 60% to 75%in the annual incentive;
- non-renewal of the multiple;
- maintaining the three-year performance period for the acquisition of performance shares, along with the creation of the separate plan reserved for the corporate officers with an additional holding period of one year.

The board also decided that **the compensation level of the corporate officers would be maintained at the same level as 2016, both in amount** (fixed and variable, target and cap) **and in volume** as far as performance shares are concerned.

The board further decided to 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 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 not promoted within 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.

The principles and criteria for determining, allocating or granting the components of all types of compensation and benefits that may be awarded to the Chairman and CEO and to the Deputy-CEO deriving from this policy and submitted to your approval are detailed further in Section 3.7 of the registration document 2016.

In accordance with applicable law, the payment of any variable or exceptional cash component in relation to the year 2017 will be subject to your approval at the Annual Shareholders' Meeting following year-end 2017.

Under the **Seventh Resolution** you are requested to approve these principles and criteria for 2017 with respect to the Chairman and CEO, and under the **Eighth Resolution** those with respect to the Deputy-CEO.

Composition of the board of directors – Ninth to Fourteenth Resolutions

We remind you that the terms of office of Ms. Magali Herbaut, Messrs. Gérard de La Martinière and Jean-Pascal Tricoire are due to expire after the 2017 Annual Shareholders' Meeting.

The board of directors has unanimously decided to recommend the renewal of the term of office of Mr. Jean-Pascal Tricoire for a period of 4 years to allow him to continue, in his capacity as Chairman and CEO, to execute the strategy established by the board of directors.

Mr. Jean-Pascal Tricoire's biography and his terms of office are provided on page 138.

At its meeting of February 15, 2017, the board of directors took note of Mr. Gérard de la Martinière's term of office.

The board of directors was keen to highlight all the recognition that the company owes this individual who has supported the Group through different steps of its strong development, and the great quality of his contributions, notably as Chairman of the Audit Committee.

At its meeting of February 15, 2017, the board of directors took note of Ms. Magali Herbaut's decision not to be present herself as a candidate for another term.

As Ms. Magali Herbaut was appointed to represent employee shareholders pursuant to article 11-3 of the articles of association, her successor must be appointed according to the procedure provided in this article which stipulates that when employee shareholders hold more than 3% of the capital at the close of a given financial year, their representative must be elected by the Annual Shareholders' Meeting from the candidates appointed by the supervisory boards of the FCPEs invested in company shares or by the employee shareholders when their shares are held directly and not via FCPEs.

The candidates designated by this procedure are Ms. Nadine Bouquin, Mr. Claude Briquet, Ms. Xiaoyun Ma, Mr. François Martin-Festa and Mr. Jean-Michel Vedrine whose biographies are provided below.

The board of directors, upon the report from the governance and remunerations committee, has approved the Twelfth Resolution providing for the appointment of Ms. Xiaoyun Ma as member of the board of directors representing employee shareholders. Ms. Xiaoyun Ma's profile fits in with the Group's objectives in terms of feminization and rejuvenation and, given her experience within the Group, internationalization, as set by the board of directors in relation to its composition.

As a result, the board of directors invites you to votely in favor of the Twelfth Resolution and to abstain from voting on the Tenth, Eleventh, Thirteenth and Fourteenth Resolutions.

Ms. Nadine Bouquin, 56 years old, graduated from the Joseph Fournier University of Grenoble, where she obtained a Master of Computer Science and Advanced Programming. She started her worked in Merlin Gerin in the field of Industrial Automation, then in APRIL company successively as PLC Software Project leader and SCADA Offer Manager. In the early 1990s, Nadine joined the Telemecanique Company in Rueil Malmaison, as Software & Connectivity Product Manager in the variable speed drives department. From 2003, she contributed actively to the R&D transformation of Industry Business with primary role of defining and implementing the development strategy of technological platforms. Three years ago, she was appointed VP, R&D Governance and joined the Technology corporate team to lead the Group's Offer Creation Process transformation. Innovation to develop new values and efficiency in development are her favorite topics.

Mr Briquet Claude, 57 years old, graduated from the Tarbes school of engineering and ENSEEIHT. He started his career in 1985 with Schneider Electric. He occupied different jobs, such as plant manager in Normandy or general manager of subsidiaries. He currently manages European industrial trading for imported or resale products. Elected for more than 20 years as employee representative in the FCPE supervisory board, he currently chairs 2 of the mains funds. He represented employee shareholders in the Schneider Electric management board from 2008 to 2012.

Ms. Xiaoyun Ma, 53 years old, graduated from top Chinese universities, and 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, Ma Xiaoyun 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 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.

Mr. François Martin-Festa, 49 years old, is Offer Data & Digital Order manager within corporate Digital Customer Experience. These initiatives aim at improving our digital Offer presentation and boosting adoption of our customer e-ordering platforms. Prior to this position, François led Supply Chain Planning & Logistics for the Group, Supply Chain Fulfillment Operations in Eastern and Central Europe (located in Hungary and Germany), Products and Equipment Manufacturing Operations and managed IT transformation projects in Turkey, South Africa and France, with a strong focus on client satisfaction.

Mr. Jean-Michel Vedrine, 55 years old, graduated from Clermont-Ferrand University and has a medal from the French National Defense. He started his carreer in 1983 within the Roanne Arsenal, but quickly joined Schneider Electric in Nanterre in its R&D center. In 1991, he moved to Angoulême, in charge of testing the new Industrial Control products, where Schneider had undisputed worldwide leadership. He contributed to the development of products outside France, and put the client at the heart of the testing process by going beyond the normative requirements. He has also promoted the local sales of Schneider products to employees.

If you approve the **Twelfth resolution**, the board of directors will comprise 41.7% of women, 58.3% of foreign directors and 75% of independent directors.

Indeed, the board of directors considers that in addition to Mr. Jean-Pascal Tricoire and the director representing employees, Mr. Willy Kissling does not have the status of independent director. Under AFEP/MEDEF guidelines, he has lost that status due to his long years of service on the board. The other directors are independent.

Review of attendance fees – Fifteenth Resolution

In the **Fifteenth Resolution**, the board recommends increasing the maximum budget of attendance fees allocated to members of the board from EUR1,500,000 to EUR2,000,000, the net residual increase (EUR 250,000).

Firstly, starting 2017, in accordance with most common practices, it is intended to include in this budget the amount of Mr. Apotheker's compensation on account of his role as Vice-Chairman Lead Independent Director for which the proposed amount for 2016 is EUR250,000.

The net residual increase (EUR250,000) is made with a view to taking into account the directors' increasing workload. On this subject, the board held 8 meetings in 2016 lasting 6 hours on average (coming from 3 hours 50 minutes in 2013). The work of the committees has also significantly increased. Moreover, with the exception of the Chairman and CEO, the members of the board are all members of at least one committee, and almost 50% of them are members of 2 committees.

Furthermore, the board of directors also considers that a revaluation of the attendance fees allocated to directors is really necessary in order to attract the best international skills and to help the board expand into new economies and digital expertise. In this respect, it is worthwile to note that the median compensation of S&P 500 US companies' non-executive directors was USD 285,065 in 2015. More specifically, in the sector in which Schneider Electric operates, the average compensation allocated to directors of companies which are international competitors of Schneider Electric selected to calculate the criteria of TSR of the long-term incentive plan was EUR229,302 (excluding Japanese companies – see page 326 for details of the panel).

The increase that is proposed to you helps to bridge the gap between Schneider Electric and its competitors and to become more competitive by attracting international talent. In addition, the new distribution rules of attendance fees applied by the board of directors increase the difference between French residents and foreigners in order to be as close as possible to their respective markets and thus to boost this competitiveness without excessively burdening the company with the associated expenses.

Share buybacks – Sixteenth Resolution

We request that you renew the authorization given to the company by the Annual Shareholders' Meeting of April 25, 2016, 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 purchase option 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, in accordance with the regulations in force.

Shares bought back may be canceled under the authorization adopted by this Annual Shareholders' Meeting (Twenty-seventh Resolution).

We remind you that Schneider Electric, in accordance with the announcement made in 2015 and restated in 2016, targeted a cumulative buyback amount of around EUR1.5 billion for the 2015-2016. These buybacks were part of a policy to neutralize the dilution resulting from capital increases linked to the acquisition of Invensys or 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 21, 2015, and through implementation of the announced projects, Schneider Electric proceeded in 2015 and 2016 to a buy back of 25.5 million shares, for a total sum of EUR1.5 billion.

Further information on the company's share buyback programs can be found on page 302.

In the **Sixteeth 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 Meeting (for reference purposes, based on the issued capital on December 31, 2016: 59,249,875 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

Amendment of the articles of association – Seventeenth and Eighteenth Resolutions

The board of directors recommends you to amend article 11 of the articles of association pursuant to article L.225-27-1 of the French Commercial Code, which requires entry in the articles of association of the procedure for appointing directors representing employees.

After assessing the various options, at its meeting on December 15, 2016 the board of directors issued its decision on the appointment of director(s) representing employees by the trade union organization or, in the case of 2 directors representing employees, by each of the 2 trade union organizations which have obtained the highest number of votes during the first round of the elections mentioned in articles L.2122-1 and L.2122-4 of the French Labor Code in the company and its direct or indirect subsidiaries, having their registered office in France.

Under the amendment to the articles of association proposed to you, provision is made for establishing the principle based on which the board of directors includes one or 2 directors representing employees, depending on whether the number of directors is lower than or equal to 12, being specified that the director representing employee shareholders appointed in accordance with article L.225-23 of the French Commercial Code is not taken into account when calculating the number of directors.

When a single director representing employees should be appointed, this director will be designated by the trade union organization which has obtained the highest number of votes during the first round of the elections mentioned in articles L.2122-1 and L.2122-4 of the French Labor Code in the company and its direct or indirect subsidiaries, having their registered office in France. When 2 administrators representing the employees should be appointed, they are nominated by each of the 2 trade union organizations which have obtained the highest number of votes during the first round of these elections.

The term of office of directors representing employees is a renewable term of 4 years. Directors representing employees are not required to hold a minimum number of shares. Subject to the provisions of this article or of the law, they have the same status, the same rights and the same responsibilities as the other directors.

Such is the purpose of the **Seventeenth Resolution**.

Under the **Eighteenth Resolution**, we present 2 other amendments to the articles of association concerning article 19 to make it consistent with the amended laws.

Delegations of authority to the board of directors to increase the capital with or without shareholders' preferential subscription rights – Nineteenth to Twenty-fourth Resolutions.

We submit to you the resolutions regarding the renewal of the existing delegations to increase the capital.

We remind you that the board of directors has been granted delegations of authority to issue, with or without shareholders' preferential subscription rights, shares and securities granting access to the capital, in other words shares with subscription warrants, convertible bonds, share subscription warrants, etc.

The board of directors has not made use of these delegations which expire in June 2017 irrespective of the capital increases arising from use of the delegations relating to capital increases reserved for employees. The board of directors also recommends you, in accordance with the provisions of the French Commercial Code (article L.225-129-2), to renew these delegations to increase the capital, with or without preferential subscription rights, for the same amounts and duration of 26 months. The total amount of the issues authorized remains unchanged, at EUR200 million shares, *i.e.* 33.75% of the capital.

The board of directors may not, without the prior authorization of the Annual Shareholders' Meeting, make use of any of these delegations during a public offer period.

Under the **Nineteenth Resolution**, you are requested to delegate to the board of directors the authority to issue, in France and abroad, with or without shareholders' preferential subscription rights, ordinary shares, and all other securities granting access to the capital, such as convertible bonds or those reimbursable in shares, bonds with share subscription warrants, etc. Under the **Twentieth Resolution**, you are also requested to grant the board of directors authorization to increase the capital by capitalizing reserves, earnings or additional issue premiums.

The maximum par value of capital increases with preferential subscription rights is limited, excluding capitalization of reserves, earnings or additional issue premiums, to EUR800 million, *i.e.* 200 million shares or, for indicative purposes, 33.75% of the capital. This amount is set, where applicable, subject to the rights of certain holders of equity securities in the case of issuance of new securities. The maximum par value of the capital increases arising from the capitalization of reserves, earnings or additional issue premiums shall be deducted from the overall capital increase ceiling of EUR800 million.

Under the **Twenty-first Resolution**, you are requested to authorize the board of directors to issue, on both the French and international markets, and without preferential subscription rights, the same securities as those referred to in the Nineteenth Resolution. In addition, pursuant to the Nineteenth and Twenty-first Resolutions, the board of directors may issue shares entitling the holder to securities which may grant access to the capital which would be issued, in agreement with the board of directors, by direct or indirect subsidiaries of Schneider Electric SE.

The maximum par value of capital increases without preferential subscription rights is limited to EUR230 million, *i.e.* 57.5 million shares or, for indicative purposes, 9.7% of the capital. This amount is deducted from the ceiling with a par value of EUR800 million established in the Nineteenth Resolution. However, it is set, where applicable, subject to the rights of certain holders of equity securities in the case of issuance of new securities.

The authority to issue without preferential subscription rights will therefore offer the board of directors the option of carrying out operations in which speed is a key success factor and which have the added benefit of applying for new public savings by issuing on foreign or international financial markets.

However, in such operations, shareholders' rights will be maintained by:

- establishment of a mandatory priority subscription right for shareholders of 3 days minimum;
- the fact that the share issue price must be, pursuant to the provisions of the French Commercial Code, at least equal to the weighted average share price for the last 3 trading sessions prior to the day on which this price is set, potentially less a maximum discount of 5%.

The board of directors may also use this delegation for the purposes of paying for securities tendered in a public exchange offer initiated by the company, within the limits and under the conditions provided for in article L.225-148 of the French Commercial Code.

The **Twenty-second Resolution** is intended to enable the board of directors to increase, where applicable, the size of an issue which it has resolved to undertake under the Nineteenth or Twenty-first resolutions in the case of oversubscription. The additional capital increase, which may be undertaken within 30 days of closure of the initial subscription, may not exceed 15% of the initial issue and must be performed at the same price. However, it may not cause the maximum ceilings in place for capital increases to be exceeded.

The **Twenty-third Resolution** authorizes the board of directors to issue ordinary shares or securities granting access to the capital, up to the limit of 9.7% of the share capital, *i.e.* 57.5 million shares set in the Twenty-first resolution, to pay for contributions in kind consisting of equity securities or securities granting access to the capital of third-party companies when the provisions of article L.225-148 of the French Commercial Code are not applicable.

The **Twenty-fourth Resolution** gives the board of directors the option, up to a limit with a par value of EUR115 million, *i.e.* 28.75 million shares with a par value of EUR4, or, for indicative purposes, 4.85% of the capital, to undertake issues without preferential subscription rights on the markets in France and/or abroad of shares and/or securities granting access to the company's capital or that of one of its subsidiaries, through private placement. We remind you that to enable companies to optimize their access to capital markets and to enjoy the best market conditions, the French Monetary and Financial Code offers this option to undertake capital increases through private placement. Private placements are operations without preferential subscription rights, which are intended exclusively for (i) individuals providing a portfolio management investment service on behalf of third parties or (ii) qualified investors or a limited group of investors, provided that they are acting on their own behalf. Under the terms of the Twenty-fourth Resolution, it is provided that in the case of issue through private placement, the issue price of new shares must be at least equal, at the discretion of the board of directors, to:

(i) the weighted average share price on the regulated Euronext Paris market of the share over a maximum period of 6 months prior to the date on which the issue price is set; or

(ii) the volume-weighted average price on the Euronext Paris regulated market prior to the setting of the issue price, potentially less, in both cases, a maximum discount of 5%.

This derogation from the provisions of article R. 225-19 of the French Commercial Code allows the board of directors to set the share price according to a minimum stock-exchange price representative of the intrinsic value as assessed by the board of directors and to neutralize, during the period of setting the share price, effects of speculation or excessive price volatility.

Operations carried out under this delegation shall be deducted from the maximum budget of EUR230 million set in the Twenty-first Resolution.

With all of these financial authorizations, the board of directors shall have the required flexibility in its selection of possible issues and may adapt the type of the securities to be issued based on demand and the conditions of French, foreign or international financial markets.

Capital increases reserved for employees with cancelation of preferential subscription rights of shareholders – Twenty-fifth and Twenty-sixth 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, 2016, employees were holding 4.46% of the capital.

We remind you that the Twenty-first and the Twenty-second Resolutions of the Annual Shareholders' Meeting of April 25, 2016, 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 meetings of December 15, 2016 and February 15, 2017, the board of directors decided to renew the annual employee shareholder plan in 2017, 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 32 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 2016 (WESOP 2016). These transactions are presented on page 304 of this registration document.

To allow for the implementation of a new global employee share ownership plan in 2017, you are requested to renew these authorizations under the same conditions.

Such is the purpose of the Twenty-fifth and Twenty-sixth Resolutions.

Under the **Twenty-fifth Resolution,** you are requested to grant the board of directors the authority to carry out capital increases reserved for employees members of the Employee Stock Purchase Plan within the limit of 2% of the company's capital, with the provison, 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. It is valid for a period of 26 months; the authority in force as voted by the Annual Shareholders' Meeting of April 25, 2016 in its Twenty-first Resolution shall cease to be effective as from June 30, 2017.

The maximum nominal amount of capital increases carried out on the basis of the Twenty-fifth Resolution will be deducted from the ceilings outlined in the Nineteenth and Twenty-first Resolutions of the Annual Shareholders' Meeting.

Under the **Twenty-sixth Resolution**, we request you to renew the authorization to carry out capital increases reserved for employees of non-French Group companies or to entities set up on their behalf. We remind you that the authorization will not exceed 1% of the capital. The issues to be carried out will be deducted from the ceiling of 2% of the capital set for the issuance of shares to employees who are members of the Employee Stock Purchase Plan. At the discretion of the board of directors, the issue price will be based on either (i) the opening or closing price of the company's shares quoted on the trading day on which the decision of the board or its delegate setting the issue price is made, or (ii) the average of the opening or closing prices quoted for the company's shares over the 20 trading days preceding the decision of the board or its delegate setting the issue price under the Twenty-fifth 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 Twenty-fifth resolution.

This authorization is valid for a period of 18 months and may only be used on or after August 1, 2017. As from August 1, 2017, it shall supersede the existing authorization granted in the Twenty-second resolution adopted by the Annual Shareholders' Meeting of April 25, 2016 for the amounts remaining unused at July 31, 2017.

Authorization granted to the board of directors to cancel, as required, company shares purchased under conditions established by the Annual Shareholders' Meeting, up to a maximum equal to 10% of the share capital – Twenty-seventh Resolution

Under the **Twenty-seventh Resolution**, we request you to grant the board of directors authority to undertake share cancellations up to a limit of 10% of the capital, over a period of 24 months from the date of the Annual Shareholders' Meeting, to reduce the dilutive effect of capital increases undertaken or to be undertaken due mainly to the exercise of subscription options or capital increases reserved for employees, and to put in place, where applicable, share buyback programs for own shares with the aim of reducing the capital.

We remind you that the authorization granted by the Annual Shareholders' Meeting of April 25, 2015, which is due for expiry on April 24, 2017, has not been used.

Finally, under the **Twenty-eighth Resolution** we request you to grant us the powers necessary to carry out the formalities.

2. Report of the Vice-Chairman independent lead director of the board of directors (for the period January-December 2016)

Mr. Leo Apotheker hereby reports on the work he carried out in 2016 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)].

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 lead director can be found on pages 341 to 347. 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 kept informed of current events and the performance of the Group through weekly exchanges with the Chairman and CEO. He has met all members of the Group Executive Committee.

The Vice-Chairman has pursued his regular interactions with managers and other employees of the Group as well as visits to various entities. 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. 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 presides over the executive sessions. He makes the decision on holding them after consultation with the members of the board of directors. The item shall be included on the agenda of every meeting of the board of directors.

The board of directors held three executive sessions during which its members expressed their views and observations on the organisation and composition of the senior management and the functioning of the board and its committees. They also exchanged views about various aspects of the Group's strategy, and about the succession plan of the Chairman.

The Vice-Chairman lead director returned the conclusions to the Chairman that same day.

Interaction with shareholders

The Vice-Chairman lead director has met with individual shareholders and the Shareholders' Advisory Committee. He has also met with several institutional investors to present to their governance analysts Schneider Electric's governance principles. The conclusions of these meetings have been reported to the Governance and Remunerations Committee and to the board.

Other duties

The Vice-Chairman lead director conducted the annual discussion on the functioning of the board of directors with the assistance of the secretary of the board of directors. He notably followed-up on the areas for improvement identified by the board in the course of its self-assessment conducted in 2015. The conclusions of this discussion are presented on page 136 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.

(1) However in pursuance of the amended AFEP-MEDEF Code of November 2016, Mr. Apotheker will lose his independent status at the 2019 Shareholders' Meeting.

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.

The board of directors adopted these regulations on April 25, 2013 and amended them on February 15, 2017.

ARTICLE 1 – Method of exercising general management – Chairmanship and Vice-Chairmanship of the board of directors

A. Method of exercising general management

1. General management of the company is under the responsibility of either the Chairman of the board of directors, who will then go by the title of Chairman and Chief Executive Officer, or of another physical person appointed by the board of directors going by the title of Chief Executive Officer.
2. The board of directors decides between these 2 methods of exercising general management at the time when the Chairman of the board of directors or the Chief Executive Officer is appointed or when renewing their terms of office. If the board of directors has decided to combine the functions of Chairman and Chief Executive Officer, it will deliberate this choice every year.
3. In order to maintain continuity in the company's operation if the Chairman serving as CEO leaves his role or is prevented from doing so, the Deputy CEO(s) shall take the interim responsibility for general management functions in the company, unless otherwise decided by the board, until such time as a new CEO is appointed. The Vice-Chairman shall temporarily take the presidency of the board of directors.

B. Chairman of the board of directors

1. The board of directors shall elect a Chairman amongst its members. The Chairman shall be appointed for a period that can be no longer than his term of office as a director. The Chairman is eligible for re-election. He may be removed from office by the board of directors at any time.
2. The Chairman of the board of directors organizes and manages the board's works, and reports on these works at the Annual 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 functions or his death. In the event of the Chairman's inability to fulfill his functions, he will be replaced by the Vice-Chairman as long as his inability may last and, in the case of his death, until the election of a new Chairman.
3. In exception to 1 above, and in compliance with article 12.2 of the articles of association, the appointment of a Vice-Chairman is compulsory if the roles of Chairman and CEO are combined. In this case, the Vice-Chairman also takes on the role of lead independent director. In this respect:
   - the Vice-Chairman is kept informed of major events in Group life through regular contacts and monthly meetings with the Chairman serving as CEO;
   - the Vice-Chairman is consulted by the Chairman serving as CEO on the agenda and the sequence of events for every board meeting as well as on the schedule for board meetings;
   - the Vice-Chairman may convene executive sessions with non-executive members of the board of directors, over which he will preside. An executive session shall be included on the agenda of every board meeting. It is the Vice-Chairman's responsibility to decide whether it should be held or not. It is therefore held as decided by the Vice-Chairman, either directly before or after each board meeting. In addition, the Vice-Chairman may convene an executive session between 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 or which may be reported to him;
- the Vice-Chairman is Chairman of the Governance and remuneration 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 works;
- the Vice-Chairman shall report on his actions at Annual General Shareholders' meetings;
- the Vice-Chairman shall meet any shareholder who wishes so and inform the board of their concerns on governance matters.

4. The Vice-Chairman lead director must be an independent member of the board, as defined in the criteria published by the company.

As a transitional measure, article 12.2 of the articles of association provides for the first Vice-Chairman lead director to be the former Chairman of the supervisory board for the remaining duration of his term of office.

ARTICLE 2 – Roles and powers of the board of directors

1. The board of directors shall determine Company business policies and ensure that they are implemented. Subject to the powers expressly conferred to Annual 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;
   - approve the report drawn up by the Chairman of the board of directors as provided for in article L.225-37 of the French Commercial Code;
   - decide on the use of the delegations of authority granted at Annual General Shareholders' Meetings, more particularly for increasing company capital, redeeming the company's own shares, carrying out employee shareholding operations and cancelling shares;
   - authorize the issue of bonds;
   - decide on the handing out of options or restricted/performance shares within the limits of authorizations given at Annual 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 name their members;
   - decide on the dates for the payment of dividends and any possible down-payments on dividends;
   - distribute directors' fees allocated at the Annual 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 noting any increases in capital following conversions of convertible bonds, exercising warrants and stock options, as well as subscribing to capital securities or shares giving access to company capital in the context of increases in capital reserved for employees and carrying out all prior and subsequent formalities related to any such changes in capital and to any modifications to the articles of association.
3. To enable the board to exercise its duties as defined in 1 and beyond its specific powers summarized in 2, the board of directors:
   - shall be informed by its Chairman or by its committees of any significant event concerning the company's efficient operation as well as the successful conclusions of any significant projects;
   - shall give prior authorization for:
     - all disposals or acquisitions of holdings or assets by the company or by a company in the Group for a sum of more than EUR250 million,
     - concluding any strategic partnership agreement;
   - shall make an annual review of its composition, its organization and its operation;

- shall be consulted for its opinion prior to acceptance by the Chief Executive Officer or deputy executive officers of any corporate appointment in a listed company outside the Group.

4. The works of the board of directors and its committees shall be included in the annual report.

ARTICLE 3 – Membership of the board of directors

In the proposals it makes and the decisions it takes, the board of directors shall ensure:

- that it reflects the international nature of the Group's activities and of its shareholders by having a significant number of members of non-French nationality;
- that it protects the independence of the board through the competence, availability and courage of its members;
- that it pursues its objective of feminizing the board of directors in compliance with the legal principle of attaining balanced representation between men and women on the board;
- that it appoints persons with the expertise required for developing and implementing Group strategy;
- that employee shareholders 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 6 times per year, including one meeting for examining strategy in detail.

   Notices to attend shall be issued by all means, including orally. They shall be sent via the 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 2 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. 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 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 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 3 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"), to whom they shall notify their individual duties to inform the 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 comply with the internal rules of conduct governing the Group's stock-market code of ethics, of which they have received a copy, with respect to their personal financial transactions. In consequence, members of the board of directors may not acquire or dispose of options or any other derivative relating to Schneider Electric SE shares, except authorized hedging of stock-options plans in order to hedge stock option plans (eg: hedging of shares subscribed upon exercise of options).

   Members of the board of directors shall refrain from carrying out any transaction involving company's listed shares during the 31 days before the day following publication of annual or half-yearly accounts, and during the 16-day period before the day following publication of quarterly information. The same principle applies when they hold privileged 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 divided by the board of directors amongst its members.

    Missions entrusted to the Vice-Chairmen Lead director shall give rise to exceptional remuneration covered by the statutory conventions regime.
12. Travelling expenses, notably including hotel and restaurant expenses, incurred by the members of the board of directors further to the performance of their duties, shall be borne by the company on production of supporting documents.

ARTICLE 7 – Non-voting directors

The non-voting directors shall attend Board meetings in a consultative capacity.

They shall receive the same information as the other members of the board. They may be appointed as members of committees, except for the Audit committee.

They shall act in the interests of the company under all circumstances.

They shall be bound by the same general confidentiality obligation as the members of the board of directors and shall be subject to the same limitations regarding transactions involving the company's shares. Their remuneration shall be determined by the board of directors.

ARTICLE 8 – The committees of the board of directors

1. The committees created by the board of directors shall be as follows:
   - Governance and remunerations committee;
   - Audit and risks committee;
   - Human Resources and Social Responsibility committee;
   - Strategy Committee.
2. The role of these committees shall be to research and prepare certain matters to be considered by the board of directors. They shall make proposals, give recommendations and issue opinions, as appropriate, in their area of competence.

   Created by virtue of article 13 of the articles of association, they shall only have a consultative role and shall act under the authority of the board of directors.
3. The Chairmen and members of the committees shall be appointed by the board of directors. However, the Vice-Chairman lead director shall preside over the Governance and remuneration committee. They shall be appointed in a personal capacity and may not be represented. Every 4 years, the board reviews the Chairmanship of the committees.

   The terms of office of committee members shall coincide with their terms of office as members of the board of directors. The terms of office of committee members may be renewed.
4. Committees shall meet on the initiative of their Chairman or on request from the Chairman of the board of directors or the CEO.
5. The Chairman serving as CEO or the CEO shall be kept informed of Committee meetings. He shall be in regular contact with committee Chairmen.
6. Committee meetings shall be held at the company's registered offices or any other place decided upon by the Chairman of the committee with an agenda prepared by the latter. If necessary they may be held by audio or video conference.

   Members of the board of directors may attend meetings of committees of which they are not a member. Only the members of the committee shall take part in the committee's discussions.

   A secretary will prepare the minutes of the meetings, which shall be recorded in an *ad hoc* register specific to each committee by the secretary of the board.

   A report on each committee's works shall be given by the committee's Chairman or one of its members at the next Board meeting. Minutes of committee meetings shall be provided for the members of the board of directors.

   After referring the matter to the Chairman of the board, every committee may request studies from external consultants. Every committee may invite any person of its choice to its meetings, as and when required.
7. Other than the permanent specialist committees that it has created, the board of directors may also decide to set up any *ad hoc* committees for specific operations or assignments.

ARTICLE 9 – The Audit and risks committee

1. Membership and operation of the Audit committee:

The committee shall be comprised of at least 3 members, two-thirds of whom must be independent members of the board of directors. At least one of the members must possess special skills concerning matters of finance and accountancy and be independent with regard to specified, published criteria.

The Deputy CEO in charge of finance shall act as the Audit committee's contact.

The secretary of the board shall act as secretary to the Audit committee.

The committee shall meet at least 5 times a year. The Chairman of the committee shall draw up agendas for meetings.

The meetings shall be attended by members of the Finance Department and of the company's Internal Audit Department and, with respect to meetings devoted to examining accounts, by the statutory auditors. The committee may invite any person it wishes to hear to its meetings. It may also require the CEO to provide any documents it deems to be useful.

Outside the presence of company representatives, the committee shall regularly hear the statutory auditors and its Chairman the Internal Audit Director.

2. The duties of the Audit committee:

The Audit committee monitors questions on drawing up and controlling accounting and financial information. It prepares the board of directors' decisions in these domains. It makes recommendations to the board and gives its opinions. For this purpose:

- it shall prepare for annual and half-yearly accounts to be approved by the board and therefore, more particularly:
  - checks the appropriateness and consistency of the accounting methods used for drawing up consolidated and corporate accounts, as well as checking that significant operations on Group level have been dealt with appropriately and that rules relating to the consolidation perimeter have been complied with,
  - examines off-balance-sheet risks and commitments as well as the cash situation,
  - examines the process for drawing up financial information;
- it acquaints itself with the annual report, which has reference document status, the half-yearly report and, where applicable, any remarks made by the French Financial 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 legal control of accounts;

- it monitors the efficiency of internal control and risk management systems. For this purpose:
  - it shall examine the organization and resources used for internal audit, as well as its annual work program. It shall receive summaries of reports produced on audits on a quarterly basis. However, the Chairman of the committee shall receive these reports in full,
  - the committee shall examine operational risk-mapping and make sure that measures exist for preventing or minimizing risks,
  - it shall examine how to optimize risk coverage on the basis of reports requested from Internal Audit,
  - it shall examine Group internal control measures and look into the results of entities' self-assessments with regard to internal control. It shall ensure that a relevant process exists for identifying and processing incidents and anomalies,
  - it shall acquaint itself with the draft report on internal control drawn up by the Chairman of the board of directors,
  - it shall examine rules of good conduct notably concerning competition and ethics and the measures implemented to ensure that these rules are circulated and applied.

The Audit committee shall examine proposals for distribution as well as the amount of financial authorizations submitted for approval at Annual 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 shall present the results of its duties to the board together with any follow-up actions that it proposes to take. The Chairman of the Audit committee shall keep the Chairman and the Vice-Chairman lead director promptly informed of any difficulties encountered by the committee.

ARTICLE 10 – Governance and remuneration committee

1. Membership and operation of the Governance and remuneration committee

The committee shall be comprised of at least 3 members.

The Governance and remuneration committee shall be presided by the Vice-Chairman lead director. Failing this, the board shall appoint the Chairman of the committee.

The secretary of the board shall be the secretary of the Governance and remuneration committee.

The committee shall meet at the initiative of its Chairman. The agenda shall be drawn up by the Chairman of the committee after consultation with the Chairman of the board of directors. The committee shall meet at least 3 times a year.

In order to carry out its assignments, the committee may hear any person it wishes.

2. The Governance and remuneration committee's duties

The committee will formulate proposals to the board of directors in view of any appointment made:

(i) To the board of directors:
  - Directors or non-voting directors,
  - Chairman of the board of directors, Vice-Chairman and Vice-Chairman lead director,
  - Chairmen and members of committees;

(ii) For general management of the company. The committee will also give its opinion to the board on nominations for any Deputy CEO's.

The committee shall formulate proposals to the board of directors on remuneration of executive corporate officers (Chairman of the board of directors and/or CEO, Deputy CEO) on the value of handing out any options or shares to executive corporate officers, and any forms of benefit granted to them. In this respect, it shall prepare annual assessments of the persons concerned.

The committee shall propose measures to the board of directors that will reassure both shareholders and the market that the board of directors carries out its duties with all necessary independence and objectivity. For this purpose, it will organize for yearly assessments to be made of the board of directors. It shall make proposals to the board of directors on:

- determining and reviewing directors' independence criteria and directors' qualifications with regard to criteria;
- missions carried out by the committees of the board of directors;
- the evolution, organization and operation of the board of directors;
- the Company's use of national and international corporate governance practices;
- the total value of directors' fees proposed at Annual General Shareholders' Meetings together with their allocation amongst members of the board of directors.

ARTICLE 11 – Human Resources and Social Responsibility committee

1. Membership and operation of the Human Resources and Social Responsibility Committee

The committee shall be comprised of at least 3 members.

The director of Group Human Resources shall be secretary to the Human Resources and Social Responsibility committee.

The committee shall meet at the initiative of its Chairman. The agenda shall be drawn up by the Chairman of the committee after consultation with the Chairman serving as CEO. The committee shall meet at least 3 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 plans for share subscription or purchase options and the handing out of restricted shares.

The committee shall formulate projects on proposals made by general management on:

- remuneration for members of the Executive Committee;
- principles and conditions for determining the remuneration of Group executives.

The committee shall be informed of any nomination of members of the Executive Committee and of main Group executives.

It shall examine succession plans for key Group executives.

The committee shall prepare the board of directors' deliberations on (i) employee shareholder development, (ii) reviews made by the board on social and financial impacts of major re-organization projects and major human resource policies, (iii) monitoring management of risks related to Human Resources and (iv) examining the different aspects of the Group "CSR" policy.

ARTICLE 12 – Strategy Committee

1. Membership and operation of the Strategy Committee

The committee shall be comprised of at least 3 members.

The director of Group Strategy will be secretary to the Strategy Committee.

The committee shall meet at the initiative of its Chairman. The agenda shall be drawn up by the Chairman of the committee after consultation with the Chairman serving as CEO. The committee shall meet at least 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.

2. The Strategy Committee's duties

The committee prepares the board of directors' deliberations on strategic matters. For this purpose:

- it gives its opinion to the board of directors on the major acquisition, joint-venture and disposal projects that are presented to the board for authorization, for which it may have to conduct narrow studies;
- it prepares the agenda of the annual off-site strategy session;
- it looks in detail at certain strategic matters on behalf of the board;
- it gives the board its view and understanding of major tendencies that are relevant to Group business activities.

ARTICLE 13 – Perimeter of internal regulations

The present internal regulations have been unanimously approved by the board of directors. A purely internal act, their objective is to complete the articles of association by stipulating the main conditions of organization and operation of the board of directors. Their purpose is not to replace the articles of association. They may not be relied upon by shareholders or third parties for use against members of the board of directors, the company, or any company in the Schneider Electric Group. They may be modified at any time solely by deliberation of the board of directors.

3.2 Charter of the Vice-Chairman independent lead director

1. The board of directors may appoint a Vice-Chairman. The Vice-Chairman shall be appointed for a period that may not be any longer than his term of office as a director. The Vice-Chairman is eligible for re-election. The Vice-Chairman may be removed from office by the board of directors at any time.
2. The Vice-Chairman shall preside over Board meetings in the absence of the Chairman.

   The Vice-Chairman shall be called upon to replace the Chairman of the board of directors in the event of any temporary inability of the latter to fulfill his functions or his death. In the event of the Chairman's inability to fulfill his functions, he will be replaced by the Vice-Chairman as long as his inability may last and, in the case of his death, until the election of a new Chairman.
3. In exception to 1 above, and in compliance with article 12.2 of the articles of association, the appointment of a Vice-Chairman is compulsory if the roles of Chairman and CEO are combined. In this case, the Vice-Chairman also takes on the role of independent lead director. In this respect:
   - the Vice-Chairman is kept informed of major events in Group life through regular contacts and monthly meetings with the Chairman serving as CEO;
   - the Vice-Chairman is consulted by the Chairman serving as CEO on the agenda and the sequence of events for every Board meeting as well as on the schedule for Board meetings;
   - the Vice-Chairman may convene executive sessions with non-executive members of the board of directors, over which he will preside. An executive session shall be included on the agenda of every Board meeting. It is the Vice-Chairman's responsibility to decide whether it should be held or not. It is therefore held as decided by the Vice-Chairman, either directly before or after each Board meeting. In addition, the Vice-Chairman may convene an executive session between 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 from 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 signing during the past year of agreements already approved by the shareholders at the Shareholders' Meeting.

We have performed the procedures we deemed necessary in accordance with the professional guidelines of the *Compagnie nationale des commissaires aux comptes* («CNCC» or French Institute of Statutory Auditors) relevant to our task. Those standards require that we perform procedures to verify that the information given to us agrees with the underlying documents.

Agreements and commitments submitted to the shareholders for approval at the Shareholders' Meeting

Pursuant to the provisions of article L. 225-40 of the French Commercial Code, we were informed of the following agreement, which was approved by your Board of Directors.

With Mr. Leo APOTHEKER (Vice-Chairman Independent Lead Director)

Mr. Leo APOTHEKER was reelected by the Shareholders' Meeting of April 25, 2016 as Vice-Chairman Independent Lead Director for four years, until the Shareholders' Meeting in 2020.

Mr. Leo APOTHEKER benefits from a remuneration of 250,000 euros per annum payable biannually, for his first year assignment as Vice-Chairman Independent Lead Director, pursuant to the statutes and internal guidelines of the Board of Directors.

The Board of Directors has justified this agreement as follows: it is in the company's interest that Mr. Leo APOTHEKER continues the assigned work as Vice-Chairman Independent Lead Director, with the same dedication and expertise.

This agreement, which was signed on January 25, 2017, took effect on April 26, 2016, for one year.

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 status of the following agreements and commitments already approved by the shareholders at the Shareholders' Meetings in prior years, which were continued during the past financial year.

With Mr. Jean-Pascal TRICOIRE (Chairman & Chief Executive Officer)

Your Board of Directors, in its meetings of April 25, 2013, June 18/19, 2013, October 24, 2013 and February 18, 2015, authorized the commitments and agreements in favor of Mr. Jean-Pascal TRICOIRE as described hereunder:

Contingency and supplementary cover or insurance compensation plans

Mr. Jean-Pascal TRICOIRE benefits from the collective pension plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS covering the supplementary sickness, incapacity, disability and death.

Mr. Jean-Pascal TRICOIRE benefits from the supplementary health, incapacity, disability and death cover available to the Group's French senior executives as well as from coverage under the Group personal accident insurance policies.

Mr. Jean-Pascal TRICOIRE benefits from a spouse's pension in the event that he should die before 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[1], converted into a theoretical annuity equivalent that may be purchased upon death in conformity with insurance conditions (technical rate, mortality rate).

(1) The Board of Directors in its meeting of February 18, 2015, taking into consideration the fact that the corporate officers of the company are personally responsible for their top-hat pension plan, authorized the supplementary remuneration comprising: an annual component and an exceptional component the aim of which is to create seed capital for the establishment of an additional pension benefit.

Mr. Jean-Pascal TRICOIRE benefits 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[1], converted into a theoretical annuity equivalent that may be purchased upon disability in conformity with insurance conditions (technical rate, mortality rate).

Additionally, contingency and supplementary cover compensation for health, incapacity, disability and death inuring to the benefit of Mr. Jean-Pascal TRICOIRE shall be calculated on the basis of his overall remuneration (fixed/variable bonus and annual bonus[1]).

In conformity with the French Commercial Code, these rights relating to contingency, supplementary cover or insurance compensation are conditioned on one of the following two criteria being present:

- Positive average net profit for the five years preceding the event, or
- Positive average free cash flow for the five years preceding the event.

Involuntary Severance Pay Scheme

Mr. Jean-Pascal TRICOIRE benefits from an Involuntary Severance Pay scheme (hereinafter "Compensation"). Compensation is capped, taking into account the non-compete compensation stipulated below, at twice the mathematical average of the effective annual remuneration for the last three years as authorized by the Board of Directors (hereinafter "Maximum Amount"). The right to Compensation shall be granted in the following cases:

- Dismissal, non-renewal or resignation as Chief Executive Officer in the six months following a material change in Schneider Electric's shareholder structure that could change the membership of the Board of Directors;
- Dismissal, non-renewal or resignation as Chief Executive Officer in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in shareholder structure as described above;
- Requested dismissal, non-renewal or resignation as Chief Executive Officer when the average rate of achievement of performance objectives used to calculate the variable bonus in the four full financial years preceding his departure was 66 percent.

The right to Compensation is subject to and shall depend on the rate of achievement of Group performance objectives used to determine part of the variable portion of Mr. TRICOIRE's compensation for the three financial years preceding the date of the Board meeting at which the decision is made.

Hence, if the Group's performance rate is:

- Less than two-third ; no Compensation shall be awarded;
- Two-third; the interested party shall receive 75 percent of the Maximum Amount;
- Between two-third and 100 percent; he shall receive Compensation calculated on a straight-line basis at a rate of 75 to 100 percent of the Maximum Amount;
- 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.

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.

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 eight days from the date of departure.

Should his departure be voluntary, the non-compete agreement shall be binding and Mr. TRICOIRE will benefit from the remuneration if:

- He satisfies the conditions criteria regulating the payment of Involuntary Severance Pay, and;
- If he is not nor shall not be entitled to accumulate his non-compete compensation with payments from a pension plan.

Stock Options, Free Shares or Performance Shares

Mr. Jean-Pascal TRICOIRE retains forthwith, subject to performance criteria and only in the event of his Involuntary Departure, the benefit of all his stock options, free shares or performance shares or any other shares attributed to him.

The performance criterion depends on the mathematical average of the rate of achievement of Group performance objectives, used to determine Mr. Jean-Pascal TRICOIRE's bonus for the three completed financial years preceding his departure and shall be equal to at least 66.67 percent of the target on the condition that Mr. Jean-Pascal TRICOIRE's termination does not occur as a result of serious or gross misconduct.

(1) The Board of Directors in its meeting of February 18, 2015, taking into consideration the fact that the corporate officers of the company are personally responsible for their top-hat pension plan, authorized the supplementary remuneration comprising: an annual component and an exceptional component the aim of which is to create seed capital for the establishment of an additional pension benefit.

With Mr. Emmanuel BABEAU (Deputy Chief Executive Officer)

Your Board of Directors, in its meetings of June 18/19, 2013, October 24, 2013 and February 18, 2015, authorized the commitments and agreements in favor of Mr. Emmanuel BABEAU as described hereunder:

Contingency and supplementary cover or insurance compensation plans

Mr. Emmanuel BABEAU benefits from the collective pension plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS covering the supplementary sickness, incapacity, disability and death.

Mr. Emmanuel BABEAU benefits from the supplementary health, incapacity, disability and death cover available to the Group's French senior executives as well as from coverage under the Group personal accident insurance policies.

Mr. Emmanuel BABEAU benefits from a spouse's pension in the event that he should die before 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(2), converted into a theoretical annuity equivalent that may be purchased upon death in conformity with insurance conditions (technical rate, mortality rate).

Mr. Emmanuel BABEAU benefits, in the event of disability giving rise to the termination of all professional activity, the right to pension payments (payable to the surviving spouse at a rate of 60 percent) beginning from retirement equal to 25 percent of average salaries paid over the three years preceding the date of disability minus 1.25 percent per quarter of absence so as to obtain a full rate of pension and minus the amount of additional remuneration authorized by the Board of Directors(1), converted into a theoretical annuity equivalent that may be purchased upon disability in conformity with insurance conditions (technical rate, mortality rate).

Additionally, contingency and supplementary cover compensation for health, incapacity, disability and death inuring to the benefit of Mr. Emmanuel BABEAU shall be calculated on the basis of his overall remuneration (fixed/variable bonus and annual bonus(1)).

In conformity with the French Commercial Code, these rights relating to contingency, supplementary cover or insurance compensation are conditioned on one of the following two criteria being present:

- Positive average net profit for the five years preceding the event, or
- Positive average free cash flow for the five years preceding the event.

Involuntary Severance Pay Scheme

Mr. Emmanuel BABEAU benefits from an Involuntary Severance Pay scheme (hereinafter "Compensation"). Compensation is capped, taking into account the non-compete compensation stipulated below, at twice the mathematical average of the effective annual remuneration for the last three years as authorized by the Board of Directors (hereinafter "Maximum Amount"). The right to Compensation shall be granted in the following cases:

- Dismissal, non-renewal or resignation as Deputy Chief Executive Officer in the six months following a material change in Schneider Electric's shareholder structure that could change the membership of the Board of Directors;
- Dismissal, non-renewal or resignation as Deputy Chief Executive Officer in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in shareholder structure as described above;
- Requested dismissal, non-renewal or resignation as Deputy Chief Executive Officer when the average rate of achievement of performance objectives used to calculate the variable bonus in the four full financial years preceding his departure was 66 percent (including financial years during which he fulfilled responsibilities as a member of the Management Board).

The right to Compensation is subject to and shall depend on the rate of achievement of Group performance objectives used to determine part of the variable portion of Mr. BABEAU's compensation for the three financial years preceding the date of the Board meeting at which the decision is made.

Hence, if the Group's performance rate is:

- Less than two-third ; no Compensation shall be awarded;
- Two-third; the interested party shall receive 75 percent of the Maximum Amount;
- Between two-third and 100 percent; he shall receive Compensation calculated on a straight-line basis at a rate of 75 to 100 percent of the Maximum Amount;
- 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.

(1) The Board of Directors in its meeting of February 18, 2015, taking into consideration the fact that the corporate officers of the company are personally responsible for their top-hat pension plan, authorized the supplementary remuneration comprising: an annual component and an exceptional component the aim of which is to create seed capital for the establishment of an additional pension benefit.

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.

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 eight days from the date of departure.

Should his departure be voluntary, the non-compete agreement shall be binding and Mr. TRICOIRE will benefit from the remuneration if:

- He satisfies the conditions criteria regulating the payment of Involuntary Severance Pay, and;
- If he Is not nor shall not be entitled to accumulate his non-compete compensation with payments from a pension plan.

Stock Options, Free Shares or Performance Shares

Mr. Emmanuel BABEAU retains forthwith, subject to performance criteria and only in the event of his Involuntary Departure, the benefit of all his stock options, free shares or performance shares or any other shares attributed to him. The performance criterion depends on the mathematical average of the rate of achievement of Group performance objectives, used to determine Mr. Emmanuel BABEAU's bonus for the three completed financial years preceding his departure and shall be equal to at least 66.67 percent of the target on the condition that Mr. Emmanuel BABEAU's termination does not occur as a result of serious or gross misconduct.

With Mr. Leo APOTHEKER (Vice-Chairman Independent Lead Director)

Your Board of Directors, in its meeting of May 6, 2014, authorized the remuneration of Mr. Leo APOTHEKER with regard to his assignments as Vice-Chairman Independent Lead Director pursuant to the statutes and internal guidelines of the Board of Directors, in the amount of 250,000 euros per annum payable biannually.

The agreement was approved by the Shareholders' Meeting of April 21, 2015.

With Mr. Henri LACHMANN (Director until April 25, 2016)

Your Supervisory Board, in its meeting of May 3, 2012, authorized the signature on the same day of an insurance contract for defined benefit company pensions (Article L.137-11 of the Social Security Code) with AXA France Vie, in order to outsource commitments under the 1995 Senior Executive Plan (closed article 39 plan), from which the former Chairman of the Supervisory Board - retired - benefits.

The principle of this outsourcing was authorized by the Supervisory Board meeting of December 15, 2010.

The nature of the contract's guarantees and the implementation and operation methods were defined in accordance with legislative and regulatory provisions. The contract was agreed with normal insurance contract conditions, under which implementation depends on duration of human life.

It aims to guarantee payment of annuity arrears due under the rules of the different plans for contracting companies. It took effect on April 30, 2012 and can be terminated each year by the parties provided notice is given before October 31 that will take effect on December 31 of the same year.

The amount of the premiums for pre-financing of possible liabilities related to past services is determined by considering the periodic actuarial analyses. The financing of benefits for which payment is transferred to the insurer is calculated by the latter, on the basis of the regulatory tables.

Schneider Electric did not pay any premium in 2016.

Mr. Henri LACHMANN is no longer concerned by this regulated agreement since the Shareholders' Meeting of April 25, 2016.

Signed in Paris-La Défense and in Courbevoie, on March 15, 2017

The Statutory Auditors

ERNST & YOUNG et Autres	MAZARS
Jean-Yves Jégourel	Loïc Wallaert

4.2 Statutory auditors' report on the issuance of shares and/or various securities with or without preferential subscription rights

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 present our report on the proposals for delegation to the board of directors of various issues of ordinary shares and/or securities upon which you are called to vote.

On the basis of its report, your board of directors proposes:

- To delegate to the board, with the right of subdelegation, for a period of 26 months from the date of this shareholders' meeting, the competence to decide on the following transactions and to set the definitive terms and conditions for these issues and proposes, where relevant, to cancel your preferential subscription right:
  - an issue of ordinary shares and/or securities giving access to the ordinary shares of the company or, in accordance with article L.228-93 of the French Commercial Code, of any company in which it owns directly or indirectly more than half the share capital, with preferential subscription rights (19th resolution),
  - an issue of ordinary shares and/or securities giving access to the ordinary shares of the company or, in accordance with article L.228-93 of the French Commercial Code, of any company in which it owns directly or indirectly more than half the share capital, without preferential subscription rights by means of a public offering (21st resolution); it being specified that these securities may be issued as payment for securities tendered to the company in the context of a takeover bid for securities meeting the conditions laid down by article L.225-148 of the French Commercial Code and that, moreover, in accordance with article L.228-93 of the French Commercial Code, the shares may be issued as a result of the issuance, by companies in which it owns directly or indirectly more than half the share capital, of securities giving access to the company's ordinary shares,
  - an issue of ordinary shares and/or securities giving access to the ordinary shares of the company or, in accordance with article L. 228-93 of the French Commercial Code, of any company in which it owns directly or indirectly more than half the share capital, without preferential subscription rights by way of tenders referred to in Section II of article L.411-2 of the French Monetary and Financial Code *(Code monétaire et financier)* and within the annual limit of 20 percent of the share capital (24th resolution),
- to authorize the board, within the framework of the implementation of the delegation referred to in the 24th resolution, to fix the issue price within the annual legal limit of 10 percent of share capital;
- to delegate to the board, with the right of subdelegation, for a period of 26 months from the date of this shareholders' meeting, the authority to carry out one or several capital increases, in order to remunerate contributions in kind granted to the company in the form of shares or securities giving access to capital (23rd resolution), within the limit of 9.7 percent of the share capital.

The total nominal amount of the increases in capital likely to be carried out immediately or in the future may not exceed EUR800 million by virtue of the 19th resolution, EUR230 million by virtue of the 21st resolution and EUR115 million by virtue of the 24th resolution, it being specified that the limits for the 20th, 21st, 22nd, 23rd, 24th and 25th resolutions of the current Shareholders' Meeting and for the 21st resolution of the Shareholders' meeting of April 25, 2016 will be deducted from the total ceiling of EUR 800 million provided for in the 19th resolution.

These ceilings take into account the additional number of shares to be created within the framework of the implementation of the delegations referred to in the 19th and 21st resolutions, in accordance with article L.225-135-1 of the French Commercial Code, if you adopt the 22nd resolution.

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. It is our responsibility to give our opinion on the accuracy of the numerical information taken from the financial statements, on the proposed cancellation of preferential subscription rights, and on certain other information concerning these transactions, presented 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 contents of the board of directors' report on these transactions and the method of determining the issue price of the equity securities to be issued.

Subject to further examination of the terms and conditions of the issues that may be decided, we have no observation to make on the method of determining the issue price of the securities to be issued, set out in the board's report by virtue of the 21st resolution.

In addition, we have the following observation to make on the board's report. It justifies the first dispensation for determining the price of the equity securities to be issued, referred to in the 24th resolution and corresponding to the weighted average of the share price on the Euronext Paris stock exchange over a maximum 6-month period prior to determining the issue price, as a way to neutralize speculation or excessive volatility. We are not able to give our opinion on the computation of this issue price.

Furthermore, since this report does not specify the method of determining the issue price of the equity securities to be issued as part of the implementation of the 19th and 23rd resolutions, we are not able to give our opinion on the choice of computational elements of this issue price.

Since the definitive terms and conditions under which the issues may be made have not been set, we do not express an opinion on them nor, consequently, on the cancellation of the preferential subscription right which is proposed to you in the 21st and 24th resolutions.

In accordance with article R.225-116 of the French Commercial Code, we will issue a supplementary report, if necessary, on the use of these delegations by the board of directors in the case of issues of securities giving access to other securities, in the case of issues of securities giving access to securities to be issued and in the case of issues of shares without preferential subscription rights.

Signed in Paris-La Défense and in Courbevoie, on March 15, 2017

Signed in Paris-La Défense and in Courbevoie, on March 15, 2017

The Statutory Auditors

ERNST & YOUNG et Autres	MAZARS
Jean-Yves Jégourel	Loïc Wallaert

4.3 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)*, and 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 members of the company's Company Savings Plan and of the French or foreign companies related to the company in accordance with article L. 225-180 of the French Commercial code and article L. 3344-1 of the Labor code *(Code du travail)*, upon which you are called to vote.

The maximum nominal amount of the increase in capital that may result from this issue is 2 percent of the share capital on the date of implementation of this act of delegation, it being specified that this amount shall be deducted from the ceilings referred to in the 19th and 21th articles of this shareholders' meeting.

This issue is submitted for your approval in accordance with articles L. 225-129-6 of the French Commercial code and L. 3332-18 of the French Labor code *(Code du travail)*.

Your board of directors proposes that, on the basis of its report, it be authorized, with the right of sub-delegation, for a period of twenty-six months from the date of this shareholders' meeting, to decide on whether to proceed with an issue and proposes to cancel your preferential subscription rights. If applicable, it shall determine the final conditions of this operation. This delegation may only be used from June 30, 2017.

It is the responsibility of the board of directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial code. Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to the share issue provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body *(Compagnie Nationale des Commissaires aux Comptes)* for this type of engagement. These procedures consisted in verifying the information provided in the board of director's report relating to this operation and the method used to determine the issue price of the share or of the equity securities to be issued.

Subject to subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price for the shares or the equity securities to be issued provided in the board of director's report.

As the final conditions for the issue have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of the preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code, we will issue a supplementary report, if necessary, when your board of directors has exercised this authorisation.

Signed in Paris-La-Défense and in Courbevoie, on March 15, 2017

The statutory auditors

ERNST & YOUNG et Autres	**MAZARS**
Jean-Yves Jégourel	Loïc Wallaert

4.4 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 and/or securities giving access to the share capital of the company, with cancellation of preferential subscription right reserved for: (i) employees and corporate officers of the Schneider Electric Group related to the company under the terms of article L. 225-180 of the French Commercial code and article L. 3344-1 of the Labor code (Code du travail) and having their registered office outside France; (ii) and/or UCITS or other collective investment entities, whether or not they are bodies corporate, with employee shareholdings invested in the securities of the company whose unit holders or shareholders are the persons mentioned in point (i) of this paragraph; (iii) and/or any bank, or subsidiary of such an institution, acting at the request of the Company for the purposes of establishing a shareholding or savings plan for the benefit of the persons referred to in point (i) of this paragraph, upon which you are called to vote.

The maximum nominal amount of the increase in capital that may result from this issue is 1 percent of the share capital on the date of this shareholders' meeting, it being specified that this amount shall be deducted from the ceiling of 2 percent referred to in the 25th resolution of this Shareholders' meeting, but is autonomous and distinct from the ceiling referred to in the 19th and 21st resolutions of this Shareholder's meeting.

Your board of directors proposes that, on the basis of its report, it be authorized, with the right of sub-delegation, for a period of eighteen months from the date of this shareholders' meeting, to decide on whether to proceed with an issue and proposes to cancel your preferential subscription rights. This delegation may only be used from August 1, 2017.

It is the responsibility of the board of directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial code. Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to the share issue provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this type of engagement. These procedures consisted in verifying the information provided in the board of director's report relating to this operation and the method used to determine the issue price of the share or of the equity securities to be issued.

Subject to subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price for the equity securities to be issued provided in the board of director's report.

As the final conditions for the issue have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of the preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code, we will issue a supplementary report, if necessary, when your board of directors has exercised this authorization.

Signed in Paris-La-Défense and in Courbevoie, on March 15, 2017

The statutory auditors

ERNST & YOUNG et Autres
Jean-Yves Jégourel

MAZARS
Loïc Wallaert

4.5 Statutory auditors' report on the reduction of capital

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L. 225-209 of the French Commercial Code (Code de commerce) in the event of a capital reduction by cancellation of acquired shares, we have prepared this report in order to inform you of our opinion on the causes for and the terms and conditions of the proposed capital reduction.

Your board of directors proposes that you delegate to the board, for a period of 24 months from the date of this shareholders' meeting, all powers to cancel, up to 10% of company capital per 24-month period, the shares purchased under the implementation of an authorization of purchase by your company of its own shares under the provisions of the aforesaid article.

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 examining whether the causes for and the terms and conditions of the proposed capital reduction, which is not likely adversely to affect the equality of shareholders, are in order.

We have no comment to make on the causes for and the terms and conditions of the proposed capital reduction.

Signed in Paris-La-Défense and in Courbevoie, on March 15, 2017

The statutory auditors

ERNST & YOUNG et Autres	**MAZARS**
Jean-Yves Jégourel	Loïc Wallaert

5. Draft resolutions

Ordinary Meeting

FIRST RESOLUTION

(Approval of corporate financial statements for the 2016 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 2016 financial year as presented, as well as the transactions reflected in these statements or summarized in such reports showing a loss of EUR99,729,913.92.

SECOND RESOLUTION

(Approval of consolidated financial statements for the 2016 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 statements and the statutory auditors' report, approves the corporate consolidated statements for the 2016 financial year as presented, as well as the transactions reflected in these statements or summarized in such reports.

THIRD RESOLUTION

(Appropiation of income for the financial year, setting the coupon 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 having noted the negative impact on retained earnings of EUR18,692.00 and the fact that income for the financial year shows a loss of EUR99,729,913.92, decides to allocate the amount of retained earnings and the loss for the financial year to issue premiums relating to the contribution of Legrand shares;

(ii) decides on the distribution to the 592,498,759 shares with a par value of EUR4 comprising the share capital at December 31, 2016, and a dividend payment as of January 1, 2017, at EUR2.04 per share, and as a result sets at EUR1,208,697,468.36 the amount to withhold on issue premiums relating to the contribution of Legrand shares which, after allocation of retained earnings and the financial year loss amount to EUR110,098,335.72, to carry out this distribution.

Drawing from issue premiums relating to the contribution of Legrand shares	**EUR1,418,544,410.00**
Net loss	EUR99,729,913.92
Retained earnings	EUR(18,692.00)
Total amount of the distribution	**EUR1,208,697,468.36**
Amount of issue premiums relating to the contribution of Legrand shares after allocation of retained earnings and financial year loss, and withholding from the distribution	EUR110,098,335.72

With regard to taxation, it is specified that this distribution of EUR2.04 per share for tax purposes is a reimbursement of a contribution, non-taxable for individual shareholders resident in France, in accordance with article 112-1° of the French Tax Code, as all earnings and reserves other than the legal reserve have been allocated. Dividends paid by Schneider Electric SE for the 3 most recent financial years are as follows, in EUR:

2013	2014	2015
1.87	1.92	2.00

FOURTH RESOLUTION

(Approval of the regulated agreements entered into in 2016 - remuneration of the Vice-Chairman independent lead director- and information regarding agreements and regulated commitments undertaken during previous financial years)

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 covered by article L.225-38 of said Code, approves the agreement, presented in these reports, relating to compensation of the Vice-Chairman for his duties as Vice-Chairman independent lead director, and takes due note of the information relating to the agreements and the commitments undertaken in previous financial years and approved by the Annual Shareholders' Meeting.

FIFTH RESOLUTION

(Opinion on elements of the compensation due or awarded in respect of the 2016 financial year to Mr. Jean-Pascal Tricoire)

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, consulted pursuant to the recommendation of paragraph 26.2 of the AFEP/MEDEF corporate governance guidelines amended in November 2016, which constitutes the Company's code of reference in accordance with article L.225-37 of the French Commercial Code, hereby issues a favorable opinion on the components of the compensation due or awarded for the 2016 financial year to Mr. Jean-Pascal Tricoire as presented in the board of directors' report to the Annual Shareholders' Meeting.

SIXTH RESOLUTION

(Opinion on elements of the compensation due or awarded in respect of the 2016 financial year to Mr. Emmanuel Babeau)

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, consulted pursuant to the recommendation of paragraph 26.2 of the AFEP/MEDEF corporate governance guidelines amended in November 2016, which constitutes the Company's code of reference in accordance with article L.225-37 of the French Commercial Code, hereby issues a favorable opinion on the components of the compensation due or awarded for the 2016 financial year to Mr. Emmanuel Babeau as presented in the board of directors' report to the Annual Shareholders' Meeting.

SEVENTH RESOLUTION

(Approval of principles and criteria for determining, allocating and granting the components of the compensation and benefits of all types that may be granted to the Chairman and Chief Executive Officer)

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 report attached to the report referred to in articles L.225-100 and L.225-102 of the French Commercial Code, presented in the registration document.

EIGHTH RESOLUTION

(Approval of principles and criteria for determining, allocating and granting the components of the compensation and benefits of all types that may be granted to the Deputy Chief Executive Officer)

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, pursuant to 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 components 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 report attached to the report referred to in articles L.225-100 and L.225-102 of the French Commercial Code, presented in the registration document.

NINTH RESOLUTION

(Renewal of a directorship: Mr. Jean-Pascal Tricoire)

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. Jean-Pascal Tricoire as director for a four-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2021 to approve the financial statements for the financial year ending December 31, 2020.

TENTH RESOLUTION(1)

(Appointment of the director representing the employee shareholders)

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. Nadine Bouquin as director representing employee shareholders for a four-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2021 to approve the financial statements for the financial year ending December 31, 2020.

ELEVENTH RESOLUTION(1)

(Appointment of the director representing the employee shareholders)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, having heard the board of directors' report, hereby appoints Mr. Claude Briquet as director representing the employee shareholders for a four-year term expiring at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the financial year ending December 31, 2020.

(1) Tenth to Fourteenth Resolutions: in accordance with article 11-3 of the company's by-laws, as there will be only one position as director representing employee shareholders to be filled, only the candidate who obtains the highest number of votes by the shareholders present and represented will be appointed. The board of directors has approved the Twelfth Resolution and, as a result, invites you to vote in favor of this Resolution and to abstain from voting on the 10th, 11th, 13th and 14th resolutions.

TWELFTH RESOLUTION[1]

(Appointment of the director representing the employee shareholders)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, having heard the board of directors' report, hereby appoints Ms. Xiaoyun Ma as director representing the employee shareholders for a four-year term expiring at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the financial year ending December 31, 2020.

THIRTEENTH RESOLUTION[1]

(Appointment of the director representing the employee shareholders)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, having heard the board of directors' report, hereby appoints Mr. François Martin-Festa as director representing the employee shareholders for a four-year term expiring at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the financial year ending December 31, 2020.

FOURTEENTH RESOLUTION[1]

(Appointment of the director representing the employee shareholders)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, having heard the board of directors' report, hereby appoints Mr. Jean-Michel Vedrine as director representing the employee shareholders for a four-year term expiring at the close of the Shareholders' Meeting to be held in 2021 to approve the financial statements for the financial year ending December 31, 2020.

FIFTEENTH RESOLUTION

(Determination of the amount of attendance fees)

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 set at EUR2,000,000 the maximum annual amount of attendance fees to be paid to the board of directors.

SIXTEENTH 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;
- meeting obligations relating to option plans or other plans involving awards of shares to employees or officers of the company or an associated company;
- meeting obligations arising under, or in connection with, debt securities convertible into shares of the company;
- undertaking (for exchange, payment or other purposes) external growth transactions, mergers, spin-offs or contributions (up to a limit of 5% of the share capital);
- stimulating the market for the company's shares under and pursuant to a liquidity agreement consistent with the *Autorité des Marchés Financiers* 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, 59,249,875 shares on the basis of the share capital as of December 31, 2016).

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 purchase options.

As a result of the aforesaid limits, the maximum aggregate amount of share buy-backs shall not exceed EUR5,332,488,750.

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 this Annual Shareholders' Meeting.

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

(1) Tenth to Fourteenth Resolutions: in accordance with article 11-3 of the company's by-laws, as there will be only one position as director representing employee shareholders to be filled, only the candidate who obtains the highest number of votes by the shareholders present and represented will be appointed. The board of directors has approved the Twelfth Resolution and, as a result, invites you to vote in favor of this Resolution and to abstain from voting on the 10th, 11th, 13th and 14th resolutions.

(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

SEVENTEENTH RESOLUTION

(Amendment to article 11 of the Company's by-laws to provide for the appointment of directors representing employees in accordance with article L.225-27-1 of the French Commercial Code)

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, having heard the board of directors' report, resolves to amend article 11 of the by-laws in order to insert the legal provisions concerning directors representing employees. The following provisions are added to article 11:

"4. The board of directors also includes, in accordance with the provisions of article L.225-27-1 of the French Commercial Code, directors representing employees, the arrangements for whom are subject to the legal and regulatory provisions in force and these by-laws.

The number of directors representing employees is equal to one if the number of directors provided for in articles L.225-17 and L.225-18 of the French Commercial Code is lower than or equal to twelve at the time of the appointment of said director and to 2 if this number exceeds twelve. The director representing employee shareholders appointed under article L.225-23 of the French Commercial Code is not taken into account when determining the number of directors referred to in article L.225-17 of the French Commercial Code.

When a single director representing the employees must be appointed, this director will be appointed by the trade union organization which has received the highest number of votes in the first round of the elections cited in articles L.2122-1 and L.2122-4 of the French Labor Code in the company and its direct or indirect subsidiaries whose head offices are in France. When 2 directors representing employees must be appointed, they are nominated by each of the 2 trade union organizations which have received the highest number of votes in the first round of these elections.

The term of office of directors representing the employees is a renewable four-year term. Their responsibilities shall expire at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended and held in the year in which their term of office expires. Further, their office expires automatically in case of termination of their employment agreement or in case of dismissal in pursuance of article L.225-32 of the French Commercial Code or in case of any incompatibility under article L.225-30 of the said Code.

In the event that the position of director representing employees should become vacant for any reason, this position will be filled under the terms and conditions set forth in article L.225-34 of the French Commercial Code.

As an exception to the provisions of the second paragraph of article 11.1 of the company's by-laws, directors representing employees are not required to hold a minimum number of shares.

Subject to the provisions of this article or of the law, directors representing employees have the same status, the same rights and the same responsibilities as the other directors.

The provisions of this article shall cease to apply if, at financial year-end, the company no longer fulfils the prerequisites for the appointment of directors representing employees, it being specified that the term of office of any director representing employees appointed in accordance with this article shall expire at the close of the same."

The other provisions of article 11 and the company's by-laws remain unchanged.

EIGHTEENTH RESOLUTION

(Amendment to article 19 of the Company's by-laws to comply with amended laws)

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, having heard the board of directors' report, resolves to amend article 19 of the by-laws as follows, in order to bring them in conformity with amended legal provisions:

- in the 6th paragraph, the reference to article 1316-4 of the French Civil Code is replaced by the reference to "1367";
- in the 7th paragraph, the word "three" is replaced by "two".

The other provisions of article 19 of the Company's by-laws remain unchanged.

A copy of the by-laws of Schneider Electric SE is attached to the minutes of this meeting.

NINETEENTH RESOLUTION

(Delegation of authority to the board of directors to increase the nominal share capital within the limit of EUR800 million, *i.e.* approximately 33.75% of the capital on December 31, 2016, by issuing ordinary shares or securities giving access to share capital of the Company or any of its subsidiaries with shareholders' preferential subscription right)

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, having heard the board of directors' report and the statutory auditors' special report, and in accordance with the provisions of articles L.225-129 to L.225-129-6, L.225-132, L.225-134 and L.228-91 to L.228-93 of the French Commercial Code:

- delegates to the board of directors the authority, with the right to subdelegate in accordance with applicable law and regulations, to decide on one or several capital increases through the issue, in the proportions and at the times it deems appropriate, in France and/or abroad, of ordinary company shares and of all other securities issued in return for payment or free of charge granting access by any means, immediately and/or in the future, to ordinary shares of the company, or of a company in which it directly or indirectly owns more than half the capital. These securities may also be denominated in Euros or any other currency or unit of account determined by reference to several currencies, it being specified that (i) the subscription of shares and other securities may be performed, either in cash, or by offsetting receivables, and (ii) the shares to be issued shall grant the same rights as the old shares subject to their dividend date;
- resolves that the full amount of the capital increases which may be undertaken immediately and/or in the future on the basis of this Resolution may not exceed a par value of EUR800 million (*i.e.* for information purposes, 33.75% of the capital at December 31, 2016). Added to this amount, as applicable, will be the additional amount of shares to be issued to preserve, in accordance with the law and, where applicable, the contractual stipulations providing for other adjustment cases, the rights of holders of securities granting access to the share capital, share subscription or purchase options or those relating to bonus or performance shares. Capital increases undertaken on the basis of the Twentieth, Twenty-first, Twenty-second and Twenty-fourth Resolutions adopted by the Annual Shareholders' Meeting, in addition to those undertaken, as applicable, on the basis of the Twenty-first Resolution of the Extraordinary Shareholders' Meeting of April 25, 2016, will be deducted from this amount, without taking account of the necessary adjustments to preserve, in accordance with the law and, as applicable, the contractual stipulations providing for other adjustment cases, the rights of holders of securities granting access to the company's capital, share subscription or purchase options, or those relating to free or performance shares. This limit with a par value of EUR800 million shall not apply to capital increases reserved for employees or corporate officers pursuant to the Nineteenth and Twentieth Resolutions adopted by the Annual Shareholders' Meeting of April 25, 2016, and by the Twenty-sixth Resolution of this Annual Shareholders' Meeting;
- hereby resolves that securities granting access to the company's shares may, in particular, consist of debt securities or be associated to the issuance of such securities, enable their issuance as securities held with an intermediary or even take the form of fixed-term or perpetual subordinated or unsubordinated notes;
- hereby resolves that shareholders have, on a proportional basis according to the amount of shares they hold, a preferential subscription right to the securities issued under this authority;
- hereby resolves that the board of directors will establish the conditions for and limits up to which shareholders may exercise their right to subscribe for new shares as of right and may grant shareholders a preferential subscription right to excess shares which will be exercised on a proportional basis to their right and within the limit of their requests;
- hereby resolves that if subscriptions for new shares as of right and, as applicable, for excess shares, have not fully absorbed an issue of shares or securities as defined above, the board of directors may make use of the options provided for in article L.225-134 of the French Commercial Code and in particular place all or part of the unsubscribed shares under public offerings;
- hereby takes note that this authorization shall constitute automatically and by law a waiver by the shareholders, in favor of the holders of securities that might be issued and granting access to the 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 due, or that may later become due, to the company for each of the shares to be issued under the aforementioned authorization shall be at least equal to the par value of the share on the date of issue of said securities;
- hereby resolves that the board of directors may not, except with the prior authorization of the Annual Shareholders' Meeting, make use of this delegation of authority from the time of the submission by a third party of a public offering concerning company shares, up to the end of the offer period;
- hereby resolves that this delegation invalidates the Fourteenth Resolution of the Extraordinary Shareholders' Meeting of April 21, 2015, in terms of the amounts not used by the board of directors;
- sets the validity period of this delegation at 26 months from this Annual Shareholders' Meeting.

TWENTIETH RESOLUTION

(Delegation of authority to the board of directors to increase the share capital by capitalizing reserves, earnings, premiums or other amounts for which capitalization may be allowed)

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary Meetings, having heard the board of directors' report, and in accordance with articles L.225-192-2 and L.225-130 of the French Commercial Code:

- hereby delegates to the board of directors, with the power to subdelegate, the authority to decide, as and when it deems fit, on one or several capital increases by capitalizing, consecutively or simultaneously, reserves, earnings, additional issue premiums or other sums for which capitalization is permitted according to the legal and statutory provisions, in the form of the issue and allocation of free shares or increase of the par value of existing shares or the combined application of these 2 procedures;
- resolves that the maximum par value of the capital increases which may be carried out under this delegation shall be deducted from the overall capital increase ceiling of EUR800 million set by the Nineteenth Resolution of the Annual Shareholders' Meeting;
- hereby resolves that fractional rights will not be negotiable or transferable and that the corresponding shares will be sold. The sums generated by the sale will be allocated to rights holders no later than 30 days after the record date in their account of the full number of shares awarded;
- hereby takes note that the board of directors has all the necessary powers to implement this delegation of authority;
- hereby resolves that the board of directors may not, except with the prior authorization of the Annual Shareholders' Meeting, make use of this delegation of authority from the time of the submission by a third party of a public offering concerning company shares, up to the end of the offer period;

- hereby resolves that this delegation invalidates the Fifteenth Resolution of the Extraordinary Shareholders' Meeting of April 21, 2015, in terms of the amounts not used by the board of directors;
- sets the validity period of this delegation at 26 months from this Annual Shareholders' Meeting.

TWENTY-FIRST RESOLUTION

(Delegation of authority to the board of directors to increase the nominal share capital within the limit of EUR230 million, *i.e.* 9.7% of the share capital on December 31, 2016, by issuing ordinary shares or securities giving access to the share capital of the Company or any of its subsidiaries without shareholders' preferential subscription right through a public offering. This delegation may be used to pay for contributions of securities in connection with a public exchange offer initiated by the company)

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, having heard the board of directors' report and the statutory auditors' special report, and in accordance with the provisions of articles L.225-129 to L.225-129-6, L.225-135, L.225-136, L.225-148 and L.228-91 to L.228-93 of the French Commercial Code:

- hereby delegates to the board of directors the authority, with the right to subdelegate, in compliance with applicable laws and regulations, to decide, by public offer, on one or several capital increases through the issue, in the proportions and at the times it deems appropriate, in France and/or abroad, of ordinary company shares or any securities granting access by any means, immediately and/or in the future, to ordinary shares of the company, or of a company in which it directly or indirectly owns more than half the capital. These securities may also be denominated in Euros or any other currency or unit of account determined by reference to several currencies, specifying that (i) the subscription of shares and other securities may be performed, either in cash, or by offsetting receivables, and (ii) the new shares will grant the same rights as the old shares subject to their dividend date;
- hereby resolves that the issue of shares by the company may result, in accordance with article L.228-93 of the French Commercial Code, in the exercising of the rights attached to securities issued by companies in which it directly or indirectly owns more than half the share capital and which will give access by any means to ordinary shares of the company;
- hereby resolves that the total amount of the capital increases which may be undertaken immediately and/or in the future on the basis of this Resolution may not exceed a par value of EUR230 million (*i.e.*, for information purposes, 9.7% of the capital at December 31, 2016). Added to this amount, where applicable, will be the additional amount of shares to be issued to preserve, in accordance with the law and, where applicable, the contractual stipulations providing for other adjustment cases, the rights of holders of securities granting access to the share capital, share subscription or purchase options, or those relating to bonus or performance shares, it being specified that the amount of EUR230 million shall be deducted from the overall capital increase ceiling of EUR800 million set in the Nineteenth Resolution adopted by this Annual Shareholders' Meeting;
- hereby resolves that securities granting access to the company's shares may, in particular, consist of debt securities or be associated with the issuance of such securities, enable their issuance as securities held with an intermediary or even take the form of fixed-term or perpetual subordinated or unsubordinated notes;
- hereby resolves to cancel the preferential subscription right granted to shareholders for securities issued in accordance with the legislation, it being specified that shareholders will be granted a priority entitlement to subscribe for new and/or excess securities in accordance with the provisions of article L.225-135 of the French Commercial Code;
- hereby resolves that the amount payable to the Company for each of the shares to be issued, or liable to be issued, after taking into account, in the case of detachable share subscription or allotment warrants, the issue price of said warrants, shall be at least equal to the minimum price provided for in the legal and/or regulatory provisions applicable on the issue date, which is currently the weighted average of the prices for the last 3 trading sessions prior to the setting of the issue price, potentially, less a maximum discount of 5%, after correction, as applicable, of this amount to take account of the difference in the dividend date;
- hereby takes note that this authorization shall constitute automatically and by law a waiver by the shareholders, in favor of the holders of securities that grant 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 this delegation may be used for the purposes of paying for securities tendered in a public exchange offer initiated by the company, within the limits and under the conditions provided for in article L.225-148 of the French Commercial Code;
- hereby resolves that the board of directors may not, except with the prior authorization of the Annual Shareholders' Meeting, make use of this delegation of authority from the time of the submission by a third party of a public offering concerning company shares, up to the end of the offer period;
- hereby resolves that this delegation invalidates the Sixteenth Resolution of the Extraordinary Shareholders' Meeting of April 21, 2015, in terms of the amounts not used by the board of directors;
- sets the validity period of this delegation at 26 months from this Annual Shareholders' Meeting.

TWENTY-SECOND RESOLUTION

(Delegation of authority to the board of directors to increase the amount of an initial issue, as approved pursuant to the nineteenth or twenty-first resolutions, with or without shareholders' preferential subscription right)

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Extraordinary Meetings, having heard the board of directors' report and the statutory auditors' special report, and acting in accordance with article L.225-135-1 of the French Commercial Code:

- hereby delegates to the board of directors the authority, for a period of 26 months from this Annual Shareholders' Meeting, with the power to subdelegate, in compliance with applicable laws and regulations, to decide for each of the issues decided on in accordance with the Nineteenth and Twenty-first Resolutions adopted by this Annual Shareholders' Meeting, that the number of ordinary shares and securities to be issued may be increased by the board of directors under the legal and regulatory conditions and within the limit of the ceilings provided for respectively by the Nineteenth and Twenty-first Resolutions adopted by this Annual Shareholders' Meeting;
- hereby resolves that the board of directors may not, except with the prior authorization of the Annual Shareholders' Meeting, make use of this delegation of authority from the time of the submission by a third party of a public offering concerning company shares, up to the end of the offer period;
- hereby takes note that the board of directors has all the necessary powers to implement this delegation;
- hereby resolves that this delegation invalidates the Seventeenth Resolution of the Extraordinary Shareholders' Meeting of April 21, 2015, in terms of the amounts not used by the board of directors.

TWENTY-THIRD RESOLUTION

(Delegation of powers to the board of directors to increase the share capital within the limit of 9.7% of the share capital for the purpose of paying for contributions in kind)

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Extraordinary Meetings, having heard the board of directors' report and the statutory auditors' special report, and acting in accordance with article L.225-147 of the French Commercial Code:

- hereby delegates to the board of directors the necessary powers to, on the basis of the report of the statutory auditor for contributions, to carry out one or several capital increases, up to the limit of 9.7% of the share capital, in order to pay for contributions in kind granted to the company and consisting of capital securities or securities granting access to the capital, where the provisions of article L.225-148 are not applicable;
- hereby resolves that, in any case, the amount of the capital increases undertaken pursuant to this Resolution shall be deducted from the capital increase ceiling of EUR230 million provided for in the Twenty-first Resolution of this Annual Shareholders' Meeting;
- hereby resolves that the board of directors shall have full powers, with the power to subdelegate, to implement this delegation, in particular to:
  - approve all the terms and conditions of authorized operations and, above all, assess the contributions and the granting, as applicable, of specific benefits,
  - establish the number of securities to be issued in payment for contributions and the dividend date for the securities to be issued,
  - perform, as applicable, any deductions from the acquisition premiums, and in particular those for costs incurred through issues,
  - record the resulting capital increases and amend the by-laws accordingly,
  - as a general rule, take all appropriate steps, enter into all agreements, take all the necessary formalities for admission to trading of the shares issued and perform all necessary disclosure formalities;
- hereby resolves that the board of directors may not, except with the prior authorization of the Annual Shareholders' Meeting, make use of this delegation from the time of the submission by a third party of a public offering concerning the company's shares, up to the end of the offer period;
- hereby resolves that this delegation invalidates the Eighteenth Resolution of the Extraordinary Shareholders' Meeting of April 21, 2015, in terms of the amounts not used by the board of directors;
- sets the validity period of this delegation at 26 months from this Annual Shareholders' Meeting.

TWENTY-FOURTH RESOLUTION

(Delegation of authority to the board of directors to undertake, through an offering as set forth in Paragraph II of article L.411-2 of the French Monetary and Financial Code, without shareholders' preferential subscription right, a capital increase up to a nominal amount of EUR115 million, *i.e.* 4.85% of share capital, by issuing ordinary shares or securities giving access to the share capital of the Company or any of its subsidiaries, the issue price of which shall be decided by the board of directors in accordance with the terms and conditions determined by the Annual Shareholders' Meeting)

The Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Extraordinary Shareholder Meetings, having heard the board of directors' report and the statutory auditors' special report, and in accordance with the provisions of the French Commercial Code, in particular in articles L.225-129 to L.225-129-6, L.225-135, L.225-136 and L.228-91 to L.228-93, and in Paragraph II of article L.411-2 of the French Monetary and Financial Code:

- hereby delegates to the board of directors, with the power to subdelegate, in compliance with applicable laws and regulations, the authority to decide without the shareholders' preferential subscription right through an offer referred in to in paragraph II of article L.411-2 of the French Monetary and Financial Code, on one or several occasions, in the proportion and at the times it deems appropriate, in France and/or abroad, in Euros or in any other currency or unit of account set by reference to several currencies, the capital increase through the issue of ordinary shares or securities, governed by articles L.228-91 *et seq.* of the French Commercial Code granting access by any means, immediately and/or in the future, to ordinary shares of the company or of a company in which it directly or indirectly owns more than half of the share capital, it being specified that (a) the subscription of shares and other securities may be performed either in cash or by offsetting receivables, and (b) the new shares will grant the same rights as the old shares subject to their dividend date;

- hereby resolves that the total amount of the capital increases which might be carried out immediately and/or in the future on the basis of this Resolution may not exceed a par value of EUR115 millions (*i.e.*, for information purposes, 4.85% of the capital at December 31, 2016). Added to this amount will be the additional amount of shares to issue to preserve, in accordance with the law and, as applicable, the contractual stipulations providing for other adjustment cases, the rights of holders of securities granting access to the share capital, share subscription or purchase options, or those relating to free shares or performance shares, it being specified that the amount of EUR115 million shall be deducted from the capital increase ceiling of EUR230 million provided for in the Twenty-first Resolution and to the capital increase ceiling of EUR800 million provided for in the Nineteenth Resolution adopted by the Annual Shareholders' Meeting;
- hereby resolves to cancel the shareholders' preferential subscription right for securities concerned by this Resolution;
- hereby takes note that this authorization shall constitute automatically and by law a waiver by the shareholders, in favor of the holders of securities granting access to the company's capital, of their preferential right to subscribe for ordinary shares of the company which such securities carry the right to acquire;
- authorizes, in accordance with article L.225-136 of the French Commercial Code, the board of directors to waive the price-setting conditions provided for by the laws and regulations in force at the time of use of this Resolution and to freely set the issue price of ordinary shares or of any securities granting access to the capital, it nonetheless being specified that the issue price must, at the board of directors' discretion, be at least equal to:
  (i) the weighted average of the prices listed on the Euronext Paris regulated market for the share over a maximum period of 6 months prior to the date on which the issue price is set, or
  (ii) to the volume-weighted average price on the Euronext Paris regulated market on the trading day prior to the setting of the issue price, potentially less, in both cases, a maximum discount of 5%;
- hereby resolves that if the subscriptions have not fully absorbed an issue of shares or securities, the board of directors may limit the issue to the amount of subscriptions under the conditions provided for by the legislation in force at the time of use of this delegation;
- hereby resolves that the board of directors may not, except with the prior authorization of the Annual Shareholders' Meeting, make use of this delegation of authority from the time of the submission by a third party of a public offering concerning company shares, up to the end of the offer period;
- hereby resolves that this delegation invalidates the Nineteenth Resolution of the Extraordinary Shareholders' Meeting of April 21, 2015, in terms of the amounts not used by the board of directors;
- sets the validity period of this delegation at 26 months from this Annual Shareholders' Meeting.

TWENTY-FIFTH RESOLUTION

(Delegation of authority to the board of directors to undertake capital increases reserved for participants in a Company saving Plan up to a limit of 2% of 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 the 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 at this Annual Shareholders' Meeting, and (ii) this authorization may be used only from and after June 30, 2017;
- 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 differed 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 to preferential subscription rights to shares of which the securities issued on the basis of this Resolution may carry the right to acquire;
- hereby resolves that this authorization cancels, effective June 30, 2017, the authorization given by the Annual Shareholders' Meeting of April 25, 2016, in its Twenty-first Resolution, for its amounts unused by the board of directors;
- the shareholders hereby take note that the board of directors has all authority, with the power to subdelegate authority, to undertake the transactions set forth in this Resolution and to record and complete the capital increases resulting therefrom.

TWENTY-SIXTH 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 to employees of foreign companies of the Group benefits comparable to those offered to participants in the Company savings Plan up to 1% of 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 Aauditors' 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 Twenty-fifth Resolution of the 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 this the Annual Shareholders' Meeting, and (ii) this authorization may be used only from and after August 1, 2017;
- 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 Twenty-fifth 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 thereof, 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 by-laws 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, 2017, the authority given by the Annual Shareholders' Meeting of April 25, 2016, in its Twenty-second 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.

TWENTY-SEVENTH RESOLUTION

(Authorization to the board of directors to cancel shares of the company, if any, bought back on the terms and conditions approved at the Annual Shareholders' Meeting, up to a maximum of 10% of the share capital)

The Annual Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Extraordinary Meetings, having heard the board of directors' report and the statutory auditors' special report, authorizes the board of directors, in accordance with article L.225-209 of the French Commercial Code, to cancel the company's own shares acquired by virtue of the authorizations granted by the Annual Shareholders' Meeting, in accordance with article L.225-209 of the French Commercial Code, under the following conditions:

- the board of directors is authorized to cancel, at its sole discretion, on one or several occasions, all or part of the shares acquired by virtue of the share buyback authorizations for the company's own shares up to the limit of 10% of the capital over a period of 24 months from this Annual Shareholders' Meeting, and to apply the corresponding reductions to the share capital;
- the difference between the purchase price for the canceled shares and their par value shall be deducted from the issue premiums and, where applicable, from the legal reserve for up to 10% of the canceled capital;
- the board of directors shall have the necessary authority, with the power to subdelegate, to establish the terms and conditions for this or these cancelations, to undertake all actions, formalities, and declarations with a view to canceling the shares and to complete the capital reductions, and to amend the by-laws accordingly.

This authorization shall remain valid for a period of 24 months from the date of this Annual Shareholders' Meeting.

Ordinary Meeting

TWENTY-EIGHTH 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 17, 2017

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, 2014, registered with *Autorité des Marchés Financiers* (AMF) under number D15-0169 on March 19, 2015;
- 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 17, 2016;
- the parent company financial statements and corresponding auditors' reports provided in Chapter 6 of the registration document for the year ended December 31, 2014, registered with *Autorité des Marchés Financiers* (AMF) under number D15-0169 on March 19, 2015;
- the 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 17, 2016;
- the management report provided in Chapter 4 of the registration document for the year ended December 31, 2014, registered with *Autorité des Marchés Financiers* (AMF) under number D15-0169 on March 19, 2015;
- 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 17, 2016.

Passages not incorporated in this document are either irrelevant for the investor or covered in another section of the registration document.

Persons responsible for the audit of the financial statements

	Date appointed	Appointment expires
Statutory auditors		
Ernst & Young et Autres Tour First-1, place des Saisons -92037 Paris-la-Défense-Cedex Represented by Jean-Yves Jégourel	1992	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 25, 2017 Shareholders' Annual Meeting (Paris)

May 10, 2017 Dividend payment

Financial releases

February 16, 2017 2016 Annual Results

April 20, 2017 Q1 2017 Sales

July 27, 2017 Half Year Results

October 26, 2017 Q3 2017 Sales

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