

Ambitious outlook. Positive action. Full accountability.



*Discover our impact for a more sustainable world.*

Life Is On

**Schneider**  
Electric

Life is On  
everywhere,  
for everyone  
and at every  
moment.

Schneider Electric is leading the Digital Transformation of Energy Management and Automation in Homes, Buildings, Data Centers, Infrastructure and Industries.

Safe | Reliable | Efficient | Digital | Sustainable



This registration document was filed with the Autorité des Marchés Financiers (AMF) on March 15, 2019, 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.

## Our highlights

+6.6% organic ↑

Revenues

**€25.7bn**

+10.3% organic ↑

Adjusted EBITA

**€3.9bn**

+9% ↑

Net Income

**€2.3bn**

+7% ↑

Proposed Dividend Per Share

**€2.35**

Employees

**137,000**

[Read more about our business on page 8 →](#)

## Strategic Report

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All of Schneider Electric's regulated information is available in the Finance section on the corporate website at

[www.schneider-electric.com](http://www.schneider-electric.com) →

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

\*\* This constitutes the Corporate Governance Report.

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A statement from Chairman and CEO Jean-Pascal Tricoire

# 2018 was a great year with strong growth.

2018 was a great year with strong growth across both businesses and all geographies. Group revenue and adjusted EBITA increased respectively by +7% and +10% organic, and net income reached a record high. We took on the challenge of energy transition and Industry 4.0, accelerating the execution of our strategy.



## A strong performance in FY18

Schneider Electric's revenues rose to EUR25.7 billion in 2018, representing an organic growth of approximately 7% overall, with our core offerings of Energy Management (Medium Voltage, Low Voltage, Secure Power) and Industrial Automation contributing to our strong growth, up respectively by +6.3% and +7.6% organic.

In 2018 we benefited from our balanced and geographically spread exposure with all regions recording organic growth. Asia Pacific, our largest region with 29% of revenues grew by +10%. It is approximately 6 times the revenues generated 15 years ago in the area, demonstrating the success of our globalization policy. North America also delivered a strong performance with approximately +8% organic growth. Western Europe, and Rest of the World generated organic growth of +3% and +5% respectively.

We continued to deliver profitable growth in 2018, improving the operational margin by +50bps organic to 15.1% and delivered a new high in terms of Net Income and EPS (+9.3%), while building our long term capabilities and increasing investments in R&D, Services, and Digital Capabilities.

Additionally, we continue to focus on generating attractive returns to our shareholders. After an active period of acquisitions to build our strong portfolio of technologies, we have returned approximately 80% of our free-cash-flow to shareholders over the past 4 years, rewarding their long-term support for the development of the group. This year, we are increasing our proposed dividend by +7% to €2.35 per share and initiating a new €1.5 to €2.0bn share buyback program.

## We accelerated the execution of our strategy

After a few years of integration, in 2018 we finalized the consolidation of our businesses into two core activities: Energy Management and Industry Automation. Our country organizations combine both businesses to provide our customers with more integrated energy and automation digital solutions to serve their efficiency and sustainability needs. This translates into more cross-selling of technologies, more products provided through an enlarged network of partners, more services, more software, and a more targeted development of systems, which creates a solid base for growth in 2019.

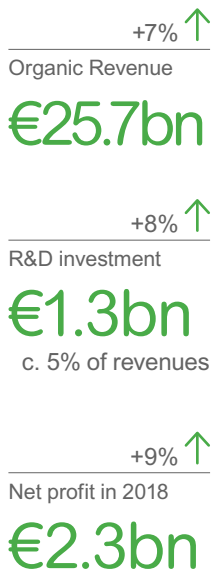
## More products and the most extensive network of partners worldwide

We continued to design and sell technology (products, services and software) for our customers to integrate, thanks to the most extensive network of local partners in the world (more than 650,000 worldwide). Our multi-local organizational model is fully operational and adapted to the different local ecosystems, allowing for unmatched proximity to our customers.

This year we brought strong innovation to our customers, with almost 150 new launches, showcasing many of them in an Innovation World Tour, with Innovation Summits and Innovation Days gathering nearly 30,000 customers from around the world.

## An outstanding growth of services

In 2018, with a 9% organic growth, we kept developing stronger services. This is just the beginning, and they are expected to grow further, in volume and share within portfolio, as there is a huge potential for field and digital services, for buildings, data centers, industry and infrastructure.



### Digitization at scale

**In 2018, we continued to invest in our digital journey. We deployed at scale EcoStruxure™**, our global, homogeneous and agnostic platform, bringing our customers integrated and digitized solutions to manage the full equation of efficiency and sustainability: Energy management for energy and environmental efficiency and Automation for process efficiency. We enhance the digital portfolio with a full set of integrated offerings and customer value propositions, from asset management to software and digital services, while developing further our operating model and enhancing our capabilities. EcoStruxure™ growth is in this context clearly above the group average, as we reached in 2018 the target of 2 million assets under management, with an outstanding 34% year over year performance, bringing our customers major improvements in efficiency and sustainability but also in safety and reliability.

**In Software, we made, a big step forward toward digitization in 2018, with double-digit growth. With the AVEVA acquisition** in March 2018, Schneider Electric has become a global leader in industrial and engineering software, with a # 1 position in process industries. The group offers its customers, regardless of their market (oil and gas, chemicals, naval industry, power plants, water, waste, smart city, or agribusiness, etc.), location, or size, an extensive technology portfolio to serve customers' efficiency and performance with solutions covering all aspects of the digital management of industrial assets, from design through construction to operation. AVEVA contribute strongly in making a very successful integration, developing strong synergies with the rest of Schneider Electric. The year was also marked by the acquisition of **IGE+XAO**, a leader in design software for electrical installations, strengthening our portfolio and stepping up our offering in specialized software.

**2018 also saw the launch of Schneider Electric Ventures**, with the objective to foster innovation by harnessing the best talent, ideas and technology from inside and outside of Schneider Electric. It will nurture tomorrow's transformational and disruptive innovations with funding, incubation and partnerships.

### One overarching goal: to serve a sustainable world

At Schneider Electric, sustainability is at the heart of everything we do. We want what we do to be meaningful and, through our culture and leadership, we aim to bring energy and efficiency to enable life, progress and sustainability for all. We are thus inventing and delivering technologies for a more sustainable world, i.e. working to make energy cheaper, greener, and reducing the impact of human activity on natural resources. Reducing energy and raw material consumption is imperative for all of us, from buildings to industry, from cities to data centers. We support our customers on a daily basis in this shift with our digital technologies, and we have set for ourselves credible and ambitious goals for nearly 15 years in our Schneider Sustainability Impact. Each quarter, we measure progress and develop best practices, and I am proud that our performance in 2018 exceeded by far the targets (173%). As a Member of the Board of the United Nations Global Compact, I want to reaffirm my support for the Ten Principles of the UN Global Compact, and the 17 Sustainable Development Goals. That is why, collectively, within Schneider Electric, we decided to reinforce our ambition for next year in five areas: climate, circular economy, health and equity, ethics, and development, to continue to be a leader in this field.

Our commitment is fully recognized, and we have received numerous external recognitions regarding our progress on these fundamental topics. In particular, in 2018, Schneider Electric was ranked #12 globally for supply chain performance in Gartner's Global Top 25, and #2 in the Industry sector. It is a clear recognition of all the efforts undertaken to build a tailored sustainable and connected supply chain, with focus on regional manufacturing, and displaying strong credentials for the technologies we propose to our customers in the field of industry 4.0. We have also been selected for 8 years now on the CDP climate A list.

Building a more sustainable world is a real driver of innovation, a lever for growth and a legitimate factor of pride and belonging for associates and partners.

### Great people make a great company

In this spirit, in 2018, Schneider Electric confirmed its place among the world's leading socially responsible companies. Human potential is at the core of our company. Progress is led by people: Nothing would be possible without our fantastic human capital – our employees, partners, customers and communities with whom we operate. People choose to join, stay and remain engaged with Schneider Electric, because we all share the same distinctive core values and vision of who we are, of what we do and how we should do it. We create and provide equal opportunities for everyone, everywhere and continuously create an inclusive environment and welcome people from all walks of life. We are empowered to do our best and innovate, while living our unique life and work. In 2018, we summarized this new People Vision, to guide our choices and behaviors, into three pillars: being the most meaningful, inclusive and empowered, supported by a mode of organization which is global and connected.

### 2019 outlook: the world is moving in our direction

Looking ahead to 2019, the momentum is good for our business and market, as we serve the two major transitions of the energy world: the Energy Transition and Industry 4.0. We therefore plan to continue to grow and expand our profitability, based on the execution of our strategic priorities. We will continue to develop a larger network of partners, growing our services, offering more digital solutions through EcoStruxure™ for efficiency and sustainability, and a broader line of software and digital services.

The world indeed continues to transform, driven by megatrends such as urbanization, industrialization of new economies and digitization of businesses and society. It is becoming more electric, more digital, and more decentralized. These new capabilities are creating new customer requirements across our markets, from cybersecurity to artificial intelligence, from edge computing to clean electrification, from digital twins to smart buildings. We fully address those new dimensions, supplying digital solutions, and we are committed to capture these market opportunities. We will keep on extending our strong community and unique ecosystem, and innovating to benefit our partners, customers and society.

We are and will remain a responsible actor contributing, together with you, to the emergence of a better world, more respectful of the environment and individuals.

**Jean-Pascal Tricoire,**  
Chairman and CEO

[Read Our strategy on page 20 →](#)

## Schneider Electric at a glance

### What we do

Schneider Electric is leading the Digital Transformation of Energy Management and Automation in Homes, Buildings, Data Centers, Infrastructure and Industries.

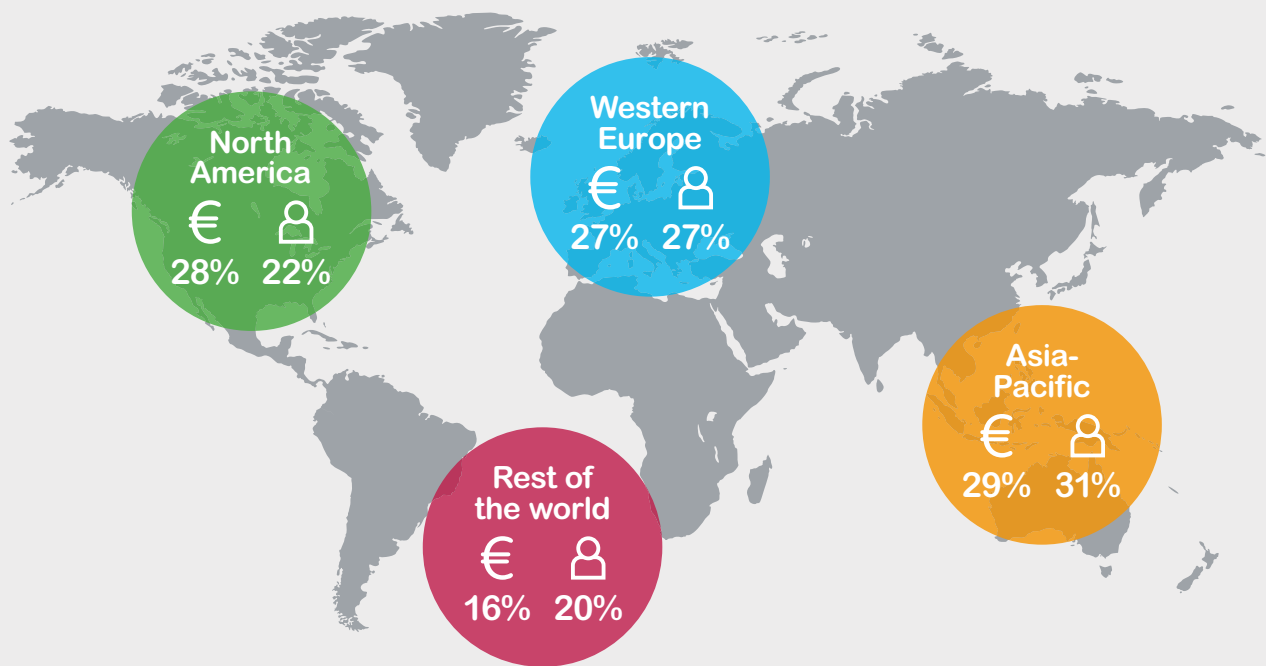
With global presence in over 100 countries, Schneider is the undisputable leader in Power Management – Medium Voltage, Low Voltage and Secure Power, and in Automation Systems. We provide integrated efficiency solutions, combining energy, automation and software.

We believe that great people and partners make Schneider a great company and that our commitment to Innovation, Diversity and Sustainability ensures that Life Is On everywhere, for everyone and at every moment.

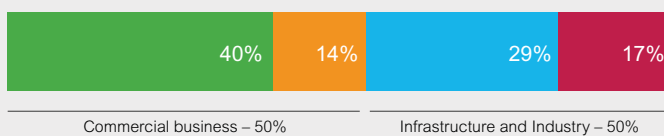
In our global ecosystem, we collaborate with the largest Partner, Integrator and Developer Community on our Open Platform to deliver real-time control and operational efficiency.

### Where we do it

- € Percentage of revenue by geography
- 👤 Percentage of total employees by geography



### Four end markets



- Commercial, Industrial, and residential buildings
- Data Center and networks
- Industry
- Infrastructure and Utilities

[Read Our markets on page 24 →](#)



Read Our business in detail on page 30 →

## Our products and solutions



Energy management



### Medium voltage

#### Medium voltage and Grid automation

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

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

17%

No.1

Worldwide



### Low voltage

#### Low voltage and building automation

The Low Voltage business addresses the needs of all end-markets from residential to commercial buildings, industrial business sectors, infrastructure and data centers.

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

45%

No.1

Worldwide



### Secure power

#### Secure energy, cooling & services

The Secure Power business specializes in critical power products and solutions for data centers and other applications where power continuity and quality are essential (hospitals, industries, etc.).

- Distributed Secure Power, for homes and buildings;
- Full solutions for data centers and Edge computing.

14%

No.1

Worldwide



Industrial Automation



### Industrial automation

#### Full solution for machine and process automation

- Comprehensive automation and control solutions and products for production machinery and production plants;
- Distributed control, instrumentation and safety systems for process automation;
- Software for the design (AVEVA) management of industrial operations, modeling/ simulation and asset management.

24%

No.4

Worldwide



Interview with Emmanuel Babeau, Deputy CEO in charge of Finance and Legal Affairs

In 2018, we delivered strong operational and financial performance, reaching a new record high EPS.



**What were the highlights of the 2018 performance for Schneider Electric?**

Strong execution and focus on our strategic priorities were key to delivering the strong operational and financial performance in 2018. With the good momentum in products, services and software, we recorded 6.6% organic growth and reached €25.7bn in revenue. Our gross margin continues to develop well and reached 39%, improving consistently over the past three years, reflecting our focus on high value-added products and solutions.

**2018 in brief**

Strategy, technologies & businesses

- March 29**  
Schneider Electric Opens New East Asia & Japan Headquarters in Singapore
- April 3**  
Schneider Electric transforms its Le Vaudreuil site into a smart factory showcase using EcoStruxure for Industry
- April 5 – 6**  
Schneider Electric hosts more than 5,000 customers, partners and influencers at its Global Innovation Summit in Paris
- April 5**  
Schneider Electric, Danfoss and Somfy join forces to create a Connectivity Ecosystem for residential, mid-size building and hotel markets
- September 20**  
Two Schneider Electric smart factories recognized as the Lighthouses of the Fourth Industrial Revolution by the World Economic Forum
- November 13**  
Schneider Electric boosts its innovation ecosystem with 'Schneider Electric Ventures' to identify, nurture and support bold ideas

Finance

- January 25**  
Schneider Electric takes control of IGE+XAO after the successful tender offer
- March 1**  
Schneider Electric announces the completion of the combination between AVEVA and the Schneider Electric industrial software business
- March 7**  
Schneider Electric launches a capital increase reserved for employees
- May 1**  
Schneider Electric, partners with Temasek to buy Larsen & Toubro's Electrical & Automation business and to combine it with its Low Voltage & Industrial Automation Products business in India

Free cash flow

€2.1bn

+40bps ↑  
before ForexReturn on  
Capital Employed

11.8%

We kept working on efficiency of our support function costs (SFC) and improved our SFC to revenues ratio by 50bps organically while continuing to invest in our digital and marketing capabilities. Through the combination of a good level of gross margin and SFC leverage, we grew our adjusted EBITA by +10% organic, exceeding for the second year in a row the top end of our targeted range (+4% to +7%) and our adjusted EBITA margin improved by 50bps organically to reach 15.1%. Recent acquisitions (Asco Power, IGE + XAO and AVEVA) also contributed positively, all delivering a strong performance. As a result of this strong operational performance, coupled with an improving cost of financing, our Net Income increased by +9%. Overall, we are reaching a new record high level in terms of earning per share, enabling us to increase our proposed dividend by +7%.

#### The Group targets an organic growth in operating profit in 2019, what are the key levers?

Our priority for 2019 is to continue to deliver profitable growth, targeting organic growth in our adjusted EBITA within the range of +4% to +7%, in-line with our previously stated average yearly objective for the period 2017-2019. To deliver this strong performance, the Group will use two levers: firstly, organic topline growth where the Group targets between +3% and +5% and, secondly, organic adjusted EBITA margin expansion of +20bps to +50bps.

#### Could you share your medium-term ambition to increase operating profitability?

We have the ambition to increase our operational margin and therefore move the Group closer to the upper-end of our stated 13% to 17% adjusted EBITA margin range which we target through the cycle. In order to achieve this ambition, we will keep working on the levers within our control to improve the underlying performance of Schneider Electric.

We will continue to focus on generating profitable growth while maintaining a strong focus on industrial productivity, organizational simplification and efficiency. We will also further concentrate our portfolio of technologies on the core Energy Management and Industrial Automation businesses and have put under review assets representing c.€1.5 to €2bn in revenue terms. Overall, we are targeting to improve the adjusted EBITA margin by c.200bps (before FX) over the next three years.

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

We have positioned the company on two powerful and structural global demand drivers, specifically the energy transition and the industry of the future, which represent strong opportunities for the business in the medium and long term. Our two synergetic businesses: Energy Management and Industrial Automation have leading market positions in their respective markets and are ideally positioned to benefit from these secular trends while delivering strong financial performance to our shareholders.

With close to +8% organic growth per year in our operating profit over the past three years, our objective is to continue generating strong earnings growth through a combination of top line growth and margin expansion. Combined with the strong FCF generation and our solid balance sheet, this allows us to offer attractive returns to shareholders through a progressive dividend policy and a newly launched €1.5bn to €2bn share buyback program over the next 3 years.

**Emmanuel Babeau,**  
Deputy CEO in charge  
of finance and legal affairs

#### Human Capital

##### January 22

Schneider Electric features among the 104 companies included in the 2018 Bloomberg Gender-Equality Index

##### February 7

Schneider Electric is named as one of the World's Most Admired Companies, according to the 2018 list published by Fortune. The company ranks fifth in the electronics industry

##### October 9

Schneider Electric ranks in the top 15 companies in the world for Gender Equality, according to Equileap

##### 10 – 13 October

Schneider Electric announces the winning team of Go Green in the City 2018, its international student case study competition focusing on innovative energy solutions for smart cities

#### Corporate Social Responsibility

##### January 23

Schneider Electric launches a partnership with Sustainable Energy for All (SEforALL)

##### February 12

Schneider Electric is named one of the 2018 World's Most Ethical Companies® by the Ethisphere® Institute

##### April 5

Schneider Electric unveils EcoStruxure™ for Energy Access, an affordable, flexible and open architecture and platform that improve profitability and efficiency of off-grid installations with data-driven analysis

##### June 20

Jean-Pascal Tricoire is appointed to the Board of the United Nations Global Compact

##### November 27

Schneider Electric supports #GivingTuesday 2018 and involves its employees in 40 countries

##### December 11

Schneider Electric presents Villaya Emergency, a containerized mobile solar microgrid solution designed for ease of use in any humanitarian emergency

## Key Performance Indicators

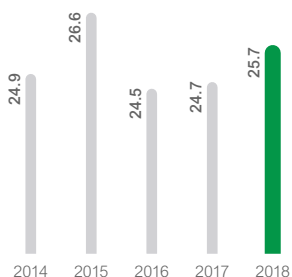
# Strong performance in 2018, executing on our strategic priorities

2018 delivered strong top line organic growth, improved margin in both businesses, and delivered a new high in terms of Net Income and EPS, while the Group kept building long-term capabilities and increasing investments in R&D, Services, and Digital Capabilities. 2018 is another year of acceleration of the strategy execution. The Group provides its customers with complete solutions, cross-selling multiple technologies, more products provided through an enlarged network of partners, more services, more software, and a more targeted development of systems, which creates a solid base for growth in 2019.

## Revenue

In billions of euros

# €25.7



Revenues were up +3.9%, (+6.6% organic), a net scope effect of +1.8% mostly due to AVEVA and ASCO consolidation, and a negative exchange rate effect of -4.5%, mainly driven by the depreciation of the US dollar against the euro.

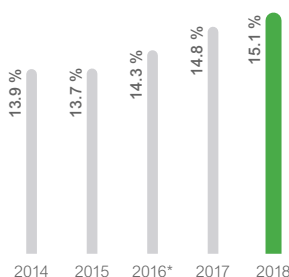
Both businesses saw strong organic growth, with Energy Management up +6.3%, delivering solutions integrating Medium Voltage, Low Voltage and Secure Power technologies, and with Industrial Automation at +7.6%. The Group saw continued good progress for its EcoStruxure offers, including cybersecurity services.

All geographies grew organically over the year, with the largest region, Asia Pacific, growing at +10%. North America delivered +8%, Western Europe +3%, Rest of the world +5%.

## Adjusted EBITA

In % of consolidated revenues

# 15.1%



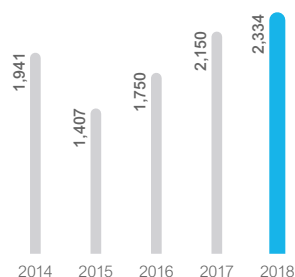
2018 Adjusted EBITA reached a record €3,874 million, increasing organically by +10.3%, exceeding the high end of the revised FY 2018 target, and the Adjusted EBITA margin improved +50 bps organically to 15.1%, thanks to strong volumes, good productivity and a balanced approach between investments and cost control. This represents the third consecutive year of Adjusted EBITA margin expansion, increasing by +210 bps organic over the period covering both lower growth and higher growth years.

\* 2016 figures restated due to the deconsolidation of the Group's solar activity.

## Net income

In millions of euros

# €2,334



The Net Income (Group Share) reached a record level of €2,334 million in FY 2018, up +9% from FY 2017. Restructuring charges were -€198 million in 2018, in line with the expected level of between €150 million to €200 million. Other operating income and expenses had a negative impact of -€103 million, mostly due to M&A and integration costs. The amortization and depreciation of intangibles linked to acquisitions was -€177 million with the increase mainly due to intangible assets recognized in association with the AVEVA and ASCO acquisitions. Net financial expenses were down to -€310 million, driven by a continued reduction in the cost of debt and lower FX effects. Income tax amounted to -€693 million. The effective tax rate for the year was 22.5%, up from 21.1% last year, in line with expectations. The result of Discontinued operations was -€23 million and share of profit on associates remained stable at +€61 million.

[Read Our performance on page 274 →](#)

Full-year revenues up  
**+3.9%**  
+6.6% organically

Full-year adjusted EBITA  
**15.1%**  
+30bps, +50bps organically

Good cash generation  
**€2.1bn**  
free cash-flow

Proposed dividend of  
**€2.35**  
up +7%

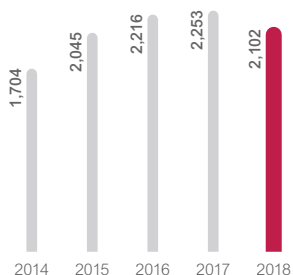
### Share price against CAC 40 index over five years



### Free Cash Flow

In millions of euros

**€2,102**

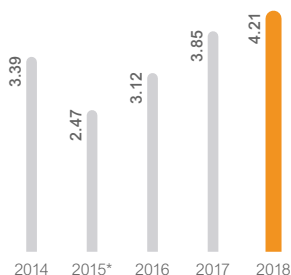


The good topline growth of the Group resulted in an increased consumption of working capital, up €454 million in 2018. Operating Cash Flow, net of CAPEX, was reported at €2,635 million, up +€303 million in 2018, due to strong net income growth. This was offset by an increase in net capital expenditure which reached €770 million, representing ~3% of revenues, due in part to supply chain capacity investment and capitalized R&D linked to new products. Cash conversion was 90% in 2018 with the Group target of ~100% across the economic cycle unchanged (4-year average 106%).

### Earnings per share

In euros

**€4.21**



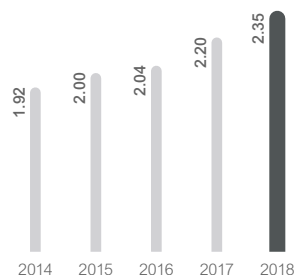
Earnings per share were up strongly at +9%, mostly driven by operating margin expansion and share buyback, as the Group has repurchased 12.4 million shares for a total amount of c. €829 million in 2018. Having completed its current c.€1bn share buyback program announced mid-2017 ahead of schedule, the Group is initiating a new €1.5bn to €2.0bn share buyback program over the next 3 years (2019-2021).

\* 2015 EPS adjusted for business disposals impact and Pelco impairment is 3.73 vs. 3.51 in 2014.

### Dividend per share

In euros

**€2.35**




Combined with the strong free cash-flow generation and a solid balance sheet, the margin increase allows the Group to offer an attractive return to shareholders through a progressive dividend policy meaning no year-on year decline. The proposed dividend is up +7%, subject to shareholders' approval at the Annual Meeting of April 25, 2019, for payment on May 3, 2019 and a payout representing more than 50% of net income.

Our business model


We believe that great people and partners make Schneider a great company and that our commitment to Innovation, Diversity and Sustainability ensures that **Life is On** everywhere, for everyone and at every moment.

**A vision of a more:** Electric, Digital, Decarbonised and Decentralised world.


Our resources

 **Human**


- 137,000 employees
- 82% of independent administrators

 **Industrial**


- 230 industrial and logistics sites certified ISO14001
- 98 distribution centers around the world
- 178 sites labeled towards zero waste to landfill

 **Innovation**

- c. 5% of revenues invested in R&D
- 8,500 R&D engineers

 **Environmental**

- Procurement volume > €12bn
- Energy consumption, 1,258 TWh equivalent
- Water consumption, 2,700 thousand m<sup>3</sup>

 **Financial**

- Shareholders' equity, €22.3bn
- Free cash flow, €2.1bn
- Green Bond, €300m emitted in 2015







\* Of Schneider Electric's revenue.

Our ecosystem

2 core offerings of Energy Management and Industrial Automation serving the Energy Transition and Industry 4.0. Integrated and digitized solutions through EcoStruxure™, our global, homogeneous and agnostic platform for efficiency and sustainability

**With global presence in over 100 countries, Schneider is the undisputable leader...**

Demands/Consumers

Power Generation	Transmission & Distribution	Residential & Buildings	IT	Industry	Infrastructure
					
<b>&lt;10%*</b>			<b>&gt;90%*</b>		

**...in Power Management – Medium Voltage, Low Voltage and Secure Power, and in Automation Systems**

**Common values:**  
Meaningful, Inclusive, Empowered

**Our commitments:** Schneider Electric commits, in the short and long term, to contribute to making the planet more sustainable for all its stakeholders.

2020

2030

2050

SCHNEIDER  
SUSTAINABILITY  
IMPACT

SUSTAINABLE  
DEVELOPMENT GOALS

Limit global warming below +2°C in line with the Paris Agreement

### Our value creation

#### Inspired, trained and committed employees

- Medical Incident Rate per million hours worked, 0,94
- 5,691 volunteering days thanks to our VolunteerIn global platform

## 67%

Employee Engagement Index

## 3.2m

Training hours

#### Product and Services serving the Energy Transition

- +13.8% turnover for our *Energy and Sustainability Services*
- €6.59bn revenue from our new Green Premium portfolio

## 51m

Metric tons CO<sub>2</sub> saved on our customers' end thanks to our EcoStruxure offers

## 43,572

Metric tons of avoided primary resource consumption through ECOFIT™, recycling and take-back programs

#### Resolute social and societal commitments

- 92% of employees are working in a country with commitment and process in place to achieve gender pay equity
- 21.6% of our leaders are women. We target 30% by 2020
- +1,300 decentralized electrification systems and solar micro-grids installed since 2015

## 196,162

Underprivileged people trained in energy management since 2015

## 155

Suppliers under Human Rights & Environment vigilance received specific on-site assessment

#### Strong financial performance

- Proposed dividend per share €2.35, +7% vs 2017
- +10% Operational margin organic growth

## 25,720m

€ revenue

## 2,334m

€ net income

From the business partnership to a culture of dialogue with all our stakeholders:

- Clients
- Civil Society
- Social
- Institutional
- Technical
- Financial
- Partners

Our strategy in brief

# A strategy that leverages market opportunities

Strategic pillars

## Driving the world's digital energy transition

We drive the energy transition by providing products and solution for active energy management to homes, buildings, data centers, infrastructures, industries, and throughout remote communities. Our advanced digital solutions and services enable all actors of the electricity value chain, from producers, to prosumers and consumers to efficiently operate in a decentralized environment.

## The one full-liner in automation with seamless integration of energy management

We deliver complete IIoT solutions in process and hybrid manufacturing with integrated solutions for operational efficiency and energy management. Digital services are boosting our automation solutions to increase performance from assets, operators and enterprise wide optimization.

## Scaling the digital transformation of Customers and Partners through our Unique Ecosystem

With the EcoStruxure ecosystem we bring a comprehensive response to the challenges of digital transformation to our partner network, the largest in the industry. We facilitate interaction between our partners, across the value chain, by bringing them on to our open platform and with a digitally enabled ecosystem.

## Building a full suite of offers to fulfill our partners' and customers' needs

We offer a wide range of products, services, software and solutions. Each of these offers have different revenue growth and profitability profiles, complementing each other to fulfill our partners' and customers' needs.

Read our strategy in full on page 20 →





## Leadership team

# Driving the operational management of the Group

Executive Committee (as of February 13, 2019)



**Jean-Pascal Tricoire**  
Chairman and  
Chief Executive Officer



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



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



**Hervé Coureil**  
Executive Vice-President,  
Digital



**Emmanuel Lagarrigue**  
Executive Vice-President,  
Innovation



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



**Leonid Mukhamedov**  
Executive Vice-President,  
Strategy



**Mourad Tamoud**  
Executive Vice-President,  
Global Supply Chain



**Anette Clayton**  
Executive Vice-President,  
North America Operations



**Barbara Frei**  
Executive Vice-President,  
Europe Operations



**Christel Heydemann**  
Executive Vice-President,  
France Operations



**Luc Remont**  
Executive Vice-President,  
International Operations



**Yin Zheng**  
Executive Vice-President,  
China Operations



**Frédéric Abbal**  
Executive Vice-President,  
Services



**Philippe Delorme**  
Executive Vice-President,  
Energy Management



**Peter Herweck**  
Executive Vice-President,  
Industrial automation

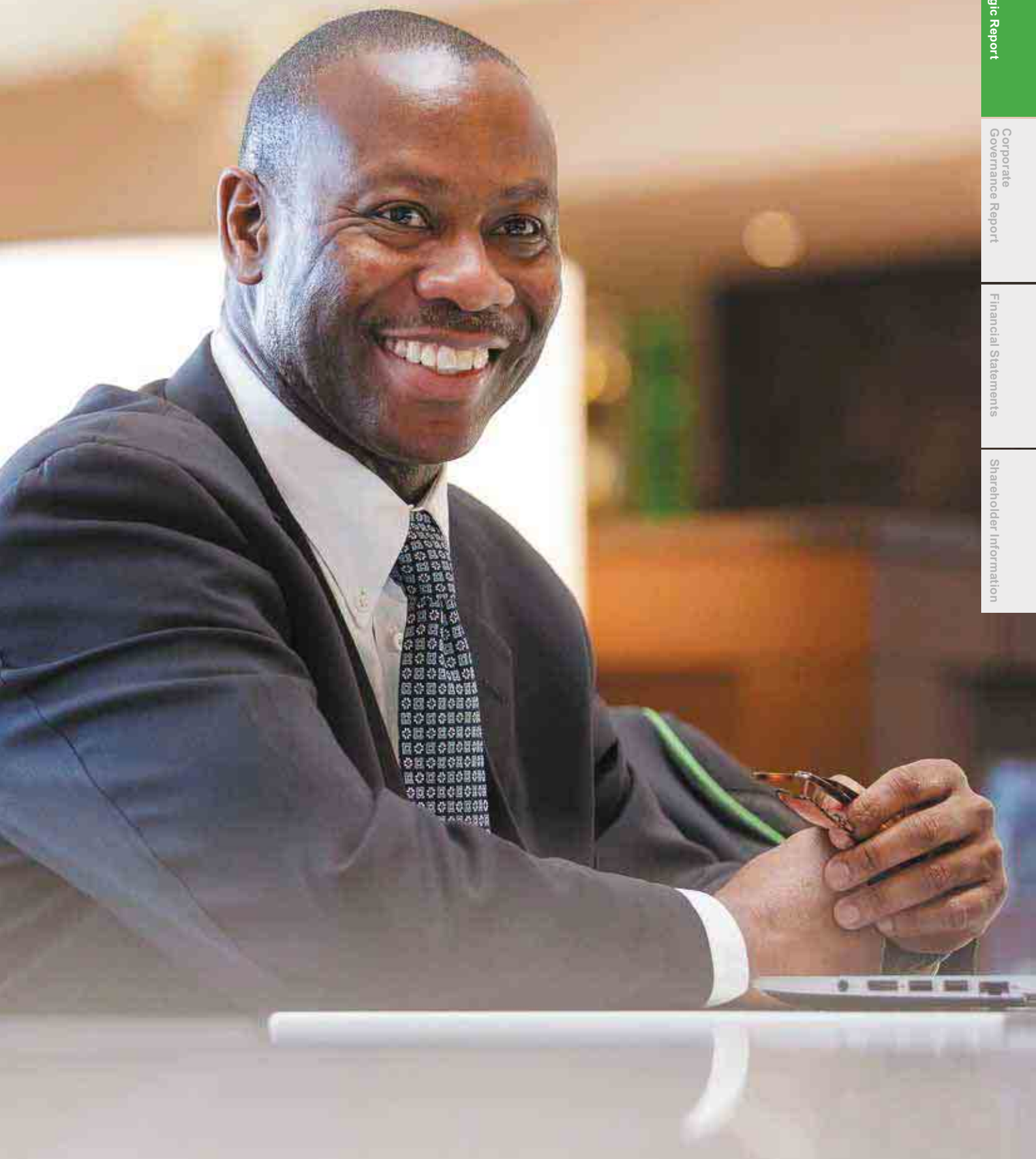
- Business
- Global functions
- Operations

# Group's strategy, markets and business

1

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1. Megatrends and strategy

# 1.1 Megatrends in our environment are creating opportunities

Our world continues to transform, driven by megatrends such as Urbanization, Industrialization of New Economies and Digitization of businesses and society. This has put in motion a significant transition of the Energy world, boosting electricity consumption while driving the Decentralization and Decarbonization of energy generation.

**Urbanization**

By 2030 there will be an additional

**+1 billion**


people living in cities.<sup>(1)</sup>



**Industrialization**

Industrialization in New Economies will drive up energy consumption in the Industry sector by

**80%**<sup>(2)</sup>



**Digitization**

Digital transformation can increase productivity yearly by

**+2pts**

over the next 10 years.<sup>(3)</sup>




**Decarbonization**

Decarbonization of energy can save

**10 billion**

tons of CO<sub>2</sub> by 2040 (equal to China's current emissions).<sup>(2)</sup>



**Decentralization**

Decentralization will increase local energy production to over

**30%**

in leading markets.<sup>(2)</sup>



(1) United Nations  
(2) Bloomberg New Energy Finance  
(3) McKinsey



## The present is Digital

Digital transformation is a key driving force of our markets.

In the past 20 years, the Internet has connected 3.8 billion people together, and will add another 3 billion by 2030<sup>(4)</sup>. We have just entered the next phase of Internet deployment with the Internet of Things (IoT), which should see the number of connected devices approximately double every 4 years. Over the next years there will be 10 times more devices connected than people and by 2020 the Internet will connect over 30 billion devices<sup>(5)</sup>.

The increase in connectivity is complemented by access to real-time information through enhanced and competitive computing capabilities (on the cloud or at the edge), which contribute to lowering the cost of big data collection. This in turn accelerates the development and use of Machine Learning, AI and Augmented Reality across all industry sectors. In particular, edge computing will drive innovation closer to users and operations as companies are able to bring intelligence to the edge, augment traditional automation, and improve customers' and employees' experiences.

Finally, these new capabilities are creating new customer requirements, turning cybersecurity into a major discipline across our markets.

### Grand Medica

Grand Medica implemented EcoStruxure for Healthcare to build a state-of-the-art healthcare facility. Used from the beginning of the design process EcoStruxure provided real-time, IoT-enabled visibility into all engineering functions and now helps Grand Medica to gain important efficiencies; a reduction in electrical operational costs by 20%, a reduction in thermal-energy consumption by nearly one third; an optimized electrical distribution system for future upgrades; and \$176,000 in CapEx savings due to product compatibility.



(4) The World Bank

(5) IHS

(6) International Energy Agency

(7) International Energy Agency, Bloomberg New Energy Finance

(8) Shell Sky scenario, Energy Transitions Commission, Internal



## The future is Electric

The world of energy is in transition. Global energy demand is growing at 1% annually<sup>(6)</sup>, yet electricity demand is growing at more than twice<sup>(7)</sup> that rate, even 4x according to more aggressive scenarios<sup>(8)</sup>. Several factors are driving this transition:

- Urbanization at global scale, increasing the rate of electrification, especially in residential and commercial buildings.
- Industrialization of New Economies, as electricity is the primary source of energy for modern development.
- Digitization of businesses and society, as IT, modern appliances and applications are all powered by electricity.
- Decarbonization of energy, as electricity is the primary vector for it through renewable energies. This involves the migration of the power sector towards a greater mix of renewable energies through the rapid deployment of clean energy technologies.
- Electrification of transportation driving the biggest energy shift from oil to electricity.

At Schneider Electric, we believe that the future will be electric:

- renewable deployment accelerates as costs continue to drop year on year
- battery technology develops and changes power infrastructure architectures
- decarbonization becomes mainstream in public policies
- the world continues to develop into the age of digital economy, powered by electricity

This future will require a new set of values as the world operates a paradigm shift towards decentralized and intermittent renewable power. Decentralization will drive a rearchitecture of the grid, creating increased flexibility, efficiency and new market models to meet new demands from customers and local producers.

The core source of innovation to tackle those challenges is on the demand side, which has a potential untapped today in current centralized architecture. The demand side, where 70%<sup>(6)</sup> of the world's energy is still used today without any efficiency performance requirements, provides an untapped source of energy and financial savings.

Digitization of the demand side is the foundation driving the energy transition towards clean electrification, i.e. all electric and fully decarbonized, used in the most efficient way.

### Lidl

Lidl and Schneider Electric have built Finland's largest, 100% renewable, industrial microgrid for its new and innovative distribution center. The EcoStruxure Microgrid Advisor was implemented to simplify the integration of distributed energy resource (DER) and allow facility managers and microgrid operators to collect, forecast and automatically optimize operations using real-time data and predictive machine learning algorithms. This in turn allows Lidl Energy Management Teams to monitor and manage: the microgrid control system, energy use optimization, power and heat demand response, energy storage, and a solar electricity system as well as a heating and cooling system.

## 1. Megatrends and strategy

# 1.2 Our Group Strategy captures Market Opportunities

Schneider Electric is at the forefront to capture and drive these opportunities with the innovative approach to integrated energy management and industry automation that we deliver across our end markets (Homes, Buildings, Data Centers, Infrastructure and Industries) through complementary business models and channel access, leveraging our extensive partners network. With EcoStruxure™, our technological leadership and our commitment to innovation will continue to benefit our partners, customers and society.

### Driving the world's energy transition

Schneider Electric has developed a unique portfolio of products and solutions for energy management in homes, buildings, data centers, infrastructures and industrial plants. Our solutions typically enable savings of 30%<sup>(9)</sup>, based on data provided by past projects.

Schneider Electric has the largest portfolio of energy management solutions to meet the new needs of the grid as well as the demand side. Innovative, advanced digital solutions and services enable utilities to operate and maintain more reliable, resilient, and efficient grids, enabling the smooth integration and management of distributed energy resources into power networks. Digitized microgrid solutions bring new levels of flexibility to the demand side and our power architectures allow end users to efficiently control and optimize their consumption and processes.

Finally, Schneider Electric also provides services, enabled by software, to connect, optimize, and impact the business of energy and sustainability for end users. With over €30B energy spend under management Schneider Electric advises customers on their energy procurement strategies, enabling companies to adopt more sustainable and efficient energy profiles, a 'must do' as the number of market actors increases alongside demands for decarbonized, reliable and cost-effective energy solutions.

### The one full-liner in automation with seamless integration of energy management

Schneider Electric is the sole full-liner in industrial automation providing our customers with integrated solutions for operational efficiency and energy management. Our process automation and manufacturing automation, deliver complete IIoT (Industrial Internet of Things) enabled solutions for the continuous process, hybrid industries and industrial machines.

Through EcoStruxure, built upon leading smart connected devices, a complete renewed edge control and leading software platform, Schneider Electric delivers compelling and scalable solutions to improve efficiency and energy management for the whole life-cycle of plants and machines. As industries are transforming to be more digitized, IIoT services are boosting our automation solutions to increase performance from end user assets, notably through predictive maintenance, longer lifetime, optimized resources consumption including energy.

They can also significantly empower operators, notably with the use of augmented and virtual reality for advanced training solutions and to support operators in making faster and better decisions. Our references have shown that productivity can be improved by around 25%<sup>(9)</sup> through the proper deployment of digital technologies.

IIoT also presents Industries with a unique opportunity to unlock process innovations to combine efficiently the aim of profitable growth for Industry and the concern for a sustainable development. Innovative IIoT enable the reduction of product's and solution's impact on the environment through optimized materials usage, decarbonization of energy demand and extended life cycle of goods. The result is a reduction in the usage of natural resources and energy, and a way to a resilient and secured supply chain to support a circular economy.

(9) Internal review

Energy spend  
under management

€30B+

Qualified technicians  
and domain experts

37,000

## Scaling the digital transformation of Customers and Partners through our Unique Ecosystem

Schneider Electric has developed the widest network of distribution and partners in the industry providing a unique platform with multiple accesses. 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. Our balanced global geographical footprint enables us to provide optimal services to our global customers, in every location, as well as serving local customers according to local needs.

Through EcoStruxure, Schneider Electric brings a comprehensive response to augment our partners' and customers' digital capabilities. EcoStruxure, is an ecosystem consisting of a Platform, Domain expertise, a Community, and Lifecycle tools, across 6 domains – Building, Power, IT, Machine, Plant and Grid.

- **The Platform.** with a complete and open architecture per domain bringing greater value to partners and customers. Our architecture is based on connected products open for integration, including with 3rd parties, delivering the best of Edge & Cloud, with cybersecurity, plug & play connectivity and system integration capabilities.
- **Domain Expertise.** We have over 15,000 application engineers around the world supporting customers to solve their problems.
- **The Community.** A platform is only worth the community that works on it. We made it an open ecosystem so developers can meet and exchange ideas and innovation. We have today almost 500,000 sites, 20,000+ developers, 650,000 service providers and partners and 3,000 utilities, with which we connect digitally as a community.
- **Lifecycle tools.** Digital tools enable to break the traditional wall between capex and opex and help manage the lifecycle of an installation efficiently. Be it the lifecycle of an asset or the operations lifecycle, improvements are enabled through the deployment of digital twins, within an integrated software approach.

Schneider Electric aims to provide best-in-class digital experience to our customers and partners to further strengthen our long-term relationships. Our digitized and dynamic sales & marketing channels provide customers with easy access to up-to-date information on our offers and company, be it on social media, our web or our partners' portals. We deliver a digitized and tailored customer service experience from the design phase to operations and maintenance.

## Building a full suite of offers to fulfill our partners' and customers' needs

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

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

## 1. Megatrends and strategy

# 1.3 Ambitious financial targets for attractive shareholder returns

Schneider Electric's opportunities, strategy and business positioning have led its management to define ambitious 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<sup>(1)</sup> performance targets

- Average organic revenue growth: 3 to 6% across the cycle;
- Adjusted EBITA: margin between 13% and 17% of revenues;
- Cash conversion: around 100% of net profit converted into free cash flow

### Across the business cycle capital efficiency targets

- ROCE<sup>(2)</sup>: between 11% and 15%;
- Progressive dividend: payout around 50% of net income;
- Capital structure: retain a strong investment grade credit rating

Additionally, the Group shared in February 2019 its margin ambition over the next 3 years (2019-2021):

The Group will focus on profitability levers within its control, with an aim to improve adjusted EBITA margin by c.+200 basis points (at constant FX), assuming no major change to the current macro-economic environment.

This underlying improvement would be achieved through:

- Organic growth
- Portfolio Optimization
- Organizational Simplification & Efficiency
- Continued Productivity.

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

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



# 1.4 Our people vision drives performance

Great people make Schneider Electric a Great company. This is our People Vision.

The world around us is changing and there are several megatrends like industry re-configuration; digital proliferation; global/local rebalancing; and a new type of workforce that are changing the future of work.

Energy transition requires us to be at the forefront of our markets, and develop a vision with our customers, supported by faster innovation, technology and deep insights. Therefore, we need to empower our people and shape our organizational culture to meet this challenge.

Digitization at our customers, suppliers and for our employees is changing the way we work, and creating a multitude of new opportunities. It is a great opportunity to leverage our meaningful purpose and pioneer the transformation of energy and processes to turn the bold ideas of our customers into reality.

Globalization enables us to access Talent globally, but also reinforces the need for development, and retention through a best-in-class workplace that offers long-term growth and learning pathways. Paradoxically, the world is becoming more local as well, and this requires us to adapt fast, and equip our people to leverage their global knowhow to manage the local challenges of tomorrow.

The very nature of the workforce and the job market is evolving. There are up to five generations working side by side, and each generation has a varied set of expectations of their employer. This in turn is leading to a shift towards personalization of the employee experience.

These mega-trends are influencing how we work together, and the ways in which we ultimately create value for our customers. We have updated our people vision to accelerate our business performance and transformation of our culture and leadership. At Schneider Electric, we are changing our thinking to build a company of the future, in sync with the changes occurring in our markets as well as with our customers.

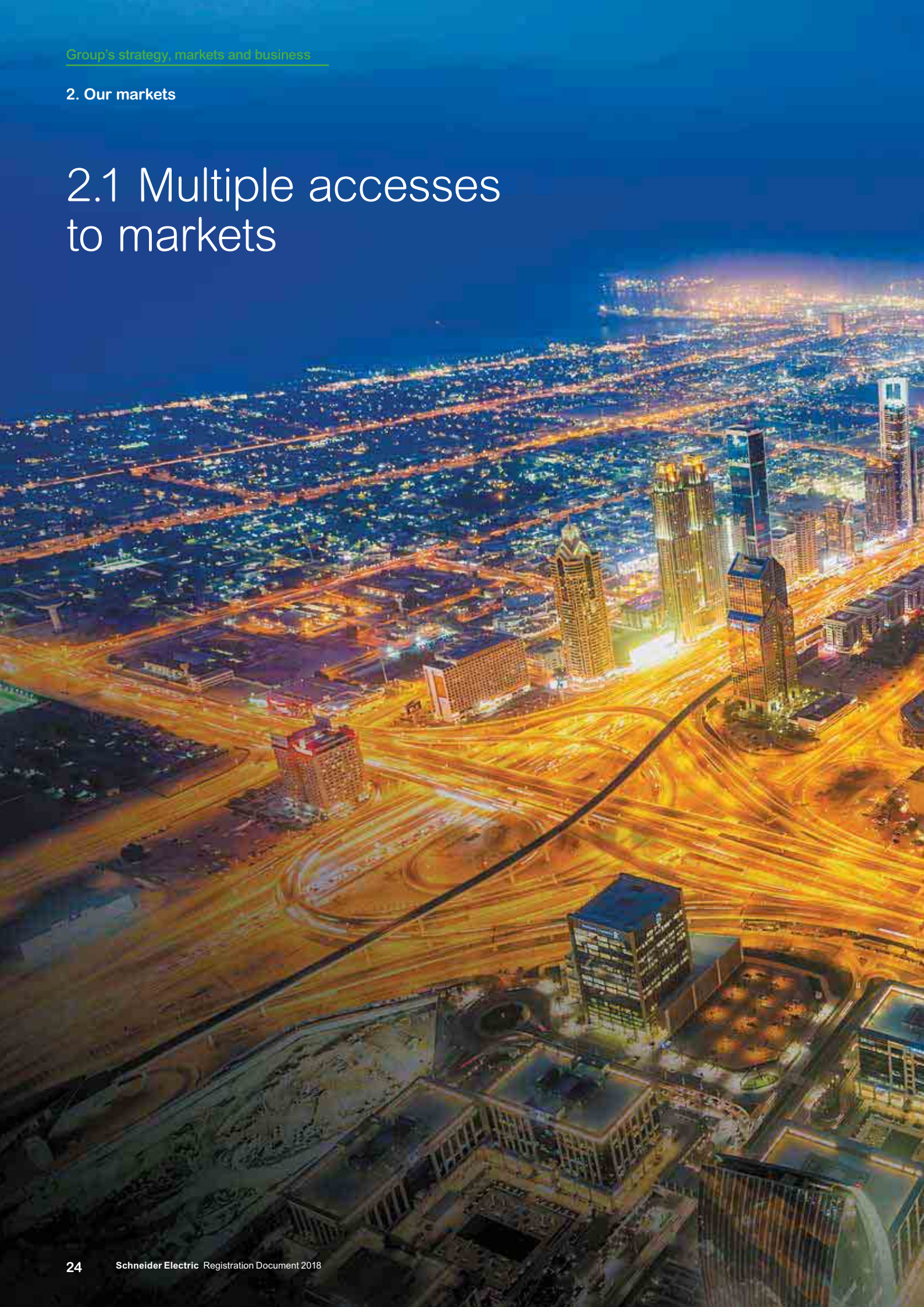
## Our People Vision consists of the following:

Our Employee Value Proposition	Our Core Values	Our Leadership Expectations
<p><b>Our Employee Value Proposition (EVP)</b> is our commitment to engage existing and future talent. It's the reason why people join, stay and remain engaged with Schneider Electric and it shows how we differentiate ourselves as an employer.</p>	<p><b>Our Core Values</b> determine who we are, what we do and define the way we work together and deliver on our EVP promise. Our values guide our choices and illustrate the behaviors we expect our employees to demonstrate.</p>	<p><b>Our Leadership Expectations</b> show how we expect Leaders to lead the company for the future. They emphasize how our leaders will transform Schneider Electric by stepping up individually and collectively in the way we lead the company.</p>

Through our culture, leadership, and way of thinking, we aim to bring energy and efficiency to enable life, progress and sustainability for all.

2. Our markets

# 2.1 Multiple accesses to markets



## Distributors & retailers



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.

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

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

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

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

### Customer satisfaction

Customer satisfaction and quality are an integral part of Schneider Electric's growth strategy and drive innovation. Everywhere in the company, we put the customer first in our decisions, learning from live surveys and spending time with both end-users and partners. We collaborate to deliver tailored customer experiences, fast and seamless across all touch points. We keep on innovating to provide a non-negotiable premium quality through offer creation, manufacturing, delivery, operations and services.

## 2. Our markets

### Other intermediaries & partners



#### Panel builders

Panel builders build and sell electrical distribution or control/monitoring switchboards, primarily for the building, energy and electricity infrastructure markets and industry. Their main customers are contractors and installers. Panel builders mostly buy low and medium voltage devices, such as circuit breakers and contactors, and increasingly, smarter connectable systems, including metering and communication devices. There are more than 35,000 panel-builders throughout the world.

#### Contractors

To design solutions tailored to end-users' specific needs, Schneider Electric works closely with contractors, small specialists or generalist electricians, large companies that specialize in installation equipment and systems and designers.

#### Electricians & DIY stores

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

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.

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

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

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

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

#### Systems integrators

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

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

#### Specifiers/Consulting Engineers

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

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

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

## End-users



### Original Equipment Manufacturers

Original Equipment Manufacturers (OEMs) continuously seek to improve machine price/performance and time-to-market in segments ranging from packaging to textiles, conveyors, materials handling, hoisting and HVAC. Schneider Electric is one of the market leaders in these segments, and works closely with over 15,000 OEMs. The Group leverages its expertise and know-how to nurture these special partnerships. This is mainly achieved through:

- an extensive knowledge of OEM applications;
- a continuous R&D effort to develop innovative, high-performance and cost-effective offers and solutions;
- dedicated centers of excellence that offer the most competitive solutions for new machines, in particular, pre-tested, pre-developed and personalized solutions;
- international customer support to deliver high-performance after-sales service worldwide;
- a dedicated program for multi-site and/or global OEMs that enhances their ability to offer superior solutions on an international scale.

### Other large end-users and strategic accounts

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

- **Automotive**, where the Group serves large automotive equipment manufacturers, electric car battery manufacturers and electric car infrastructure providers, to enable digitization, scale operations and become more agile in a transformational industry sector;
- **Cloud & Finance**, in which the Group provides secure digital solutions to increase efficiency, lower costs, reduce cycle time, and manage risks for customers including internet giants, as well as in telecoms, co-location and network solutions;
- **Consumer Packaged Goods**, in which the Group is enabling digital transformation at every step of the value chain for improved sustainability, efficiency, and traceability

for Food & Beverages, FMCG (Fast Moving Consumer Goods) and Life Sciences companies;

- In **Electricity Companies**, the Group serves companies producing, delivering, and/or selling electricity to reduce carbon footprint, digitize networks, connect customers to smart grids, overcome evolving challenges and meet future needs;
- **Finance**, where the group serves banking and finance groups, by providing innovative, IoT-enabled products and services to succeed in their digital transformation journey;
- In **Healthcare**, the Group serves hospitals, clinics, labs, and life sciences manufacturing to improve safety, patients' satisfaction, and operational efficiency with IoT solution architectures for Digital hospitals;
- **Hotels**, where the Group serves hospitality companies that manage hotels and related lodging facilities to Improve financial performance, reduce carbon emissions and energy costs, and reinvest savings into the hotel guest experience;
- **Mining, Minerals & Metals**, which includes customers in mining, cement, metals, and other bulk materials, where the Group is helping customers to achieve greater energy and production efficiency for manufacturing operations with IoT-enabled solutions;
- **Oil & Gas & Petrochemicals**, in which the Group provides integrated digital solutions and high-performance systems, software and services to oil companies, petrochemicals companies and EPCs (Engineering Procurement & Construction), from production to processing and supply chain operations;
- **Real Estate**, where the Group offers intelligent building technologies that maximize operational efficiency, ensure maximum energy savings, and lower overall OPEX costs;
- **Water & Wastewater** includes customers across the entire water cycle, from water resources to water distribution, sewerage and treatment. The group is helping customers to enhance key processes and

applications across the smart water cycle by leveraging innovative solutions.

Starting in 2018 Schneider Electric also addresses, in a global manner, the following end-markets:

- **Semiconductors**: assisting companies engaged in the manufacture of semiconductor devices to sustain the highest level of performance and availability for mission critical clean room environments in a safe manner.
- **Transportation**: the Group ensures reliable power for safe, stable and efficient operations for Airports, Rails, Metros, Port and Tunnels infrastructure – ensuring reliable power for safety, stability and efficiency.

Schneider Electric is serving its global customers, "strategic accounts", with a dedicated organization, with the purpose of developing privileged relationships with them, aiming to respond in the best manner with a Value Proposal meeting their key challenges in their digital transformation.

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 75 global customers including Apple, BHP Billiton, EDF, ExxonMobil, Nestlé and Veolia as well as 99 customers for which we developed a multi country centralized approach, (eg. SAP, Orange, Danone, BMW etc.)

We are leading the digital transformation of energy management and automation in homes, buildings, data centers, infrastructure and industry. Our technologies ensure that Life Is On everywhere, for everyone and at every moment.

2. Our markets

# 2.2 Serving four attractive end-markets



## Non-residential and residential buildings

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

installers, electrical equipment distributors and building management companies. EcoStruxure™ Power and EcoStruxure™ Building unlocks value at all stages of projects for buildings and facilities of any size, in any industry and to meet the requirements of building owners, real estate developers, system integrators, facility managers and building occupants. In the context of single-family homes and apartment buildings, Schneider Electric's market is driven both by renovation and refurbishment needs, particularly in mature economies, as well as by construction, particularly in new economies. Whether for renovation or construction, the underlying challenge is to reconcile technical constraints,

local standards and regulations with consumer preferences. They not only desire comfort and aesthetics, but increasingly, energy efficiency, connectivity, security and monitoring services as well. Residential customers include mainly electricians, architects and decorators, those involved in the home automation industry, lighting and security firms, construction firms, contractors, electrical equipment distributors and large do-it-yourself ("DIY") stores, as well as end-users and home owners.

## Utilities and infrastructures

Current global challenges in the utilities and infrastructure market include increasing energy demand, the need for increased energy efficiency to reduce environmental impact, and the development of decentralized renewable energy sources on the grid causing more stability concerns.

This market also faces changes in regulations, particularly those regarding demand response and prosumer integration in the energy system, and the growing need for security, reliability, and real-time control to ensure efficiency stability. We believe these challenges provide long-term growth

prospects for Schneider Electric. Our main customers in this market include energy system operators, prosumers, water utilities, the owners and operators of transportation and oil and gas infrastructure and municipalities.

## Industries and machine manufacturers

Our energy and automation solutions enable us to serve almost all segments of the industry and machine manufacturers market, including the refining, petrochemical and oil & gas industries, mines, cement plants, water & waste-water industry, the food-processing industry and material handling and packaging machines. Energy and operational efficiency is at the heart of the challenges facing these industries, which

include the reduction of production costs, compliance with new regulations, and the reduction of the environmental impact of industrial activity. In addition, both the rapid modernization taking place in new economies for more sustainable Industry and the growing adoption of solutions supporting the 4th Industrial revolution in 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. Data centers and networks are being fueled by the growing digitization of business and personal activities. Along with this growth in digitization, comes increased reliance on the physical infrastructure of data centers. Internet Giants, for example,

place the data center at the center of their business. Within distributed networks, the need for faster, more localized data is driving the need for Edge computing.

3. Our business in detail

# 3.1 Global leadership in two businesses & four technologies

 Energy Management



**Medium Voltage**

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

**Main Competitors**

ABB, Siemens, Eaton, GE

**No.1**

Worldwide in Medium Voltage and Grid Automation.

17%

Percentage of total revenue



**Low Voltage**

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

Building Automation facilitates comfort and energy efficiency in non-residential buildings through automation and security systems, including heating, ventilation & air-conditioning ("HVAC") controllers, sensors, valves and actuators, programmable regulators, centralized building management systems, space optimization solutions, access control, video cameras and security monitoring equipment. EcoStruxure Building, the open, collaborative smart building IoT platform, combines building management software with hardware and services, to maximize efficiency and comfort while reducing energy costs by up to 30%.

**Main Competitors**

ABB, Siemens, Eaton, Legrand, Johnson Controls

**No.1**

Worldwide in Low Voltage and Building Automation.

45%

Percentage of total revenue



Schneider Electric has built worldwide leadership positions in each of its two businesses and four technologies, leading the digital transformation of Energy Management and Industrial Automation.



Our business is >90% on the energy demand side

Industrial Automation



**Secure Power**

Secure Power specializes in critical power products and solutions for data centers and networks where power continuity and quality is essential. The applications range from large, hyper-scale data centers to discrete, distributed IT applications. The offer is designed around ensuring availability within these applications and includes single-phase and three-phase Uninterruptible Power Supplies (“UPS”), IT Rack Systems and Power Distribution Units, physical security and cooling systems. The Secure Power Business also provides a variety of services for these applications along with IT facility management software.

**Main Competitors**

Vertiv, Eaton



**Industrial Automation**

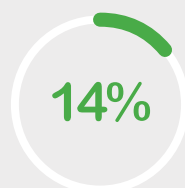
The Industrial Automation business scope includes Process, Hybrid and Discrete Automation, providing comprehensive products and solutions for the automation and control of machines, manufacturing plants and industrial sites. The offer is based on smart connected devices such as discrete sensors, motion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

**Software apps**

Industrial Automation software and apps offer addresses autonomous machines as well as complete processes to improve productivity and energy efficiency, leveraging the Group’s connected offer for power distribution to deliver a complete automation and power solution.

**Main Competitors**

Siemens, Rockwell Automation, ABB, Emerson, Honeywell, Yokogawa



**No.1**

Worldwide in Critical Power and Cooling.

Percentage of total revenue



**No.4**

Worldwide in Process Automation.

Percentage of total revenue

### 3. Our business in detail

# A leading mega-retailer makes energy waste history

In the land of pharaohs and pyramids, Carrefour Egypt is using EcoStruxure Facility Advisor analytics and services to turn something else into ancient history: energy waste.

#### The Challenge

In Egypt, a place world-renowned for its many bazaars and outdoor marketplaces, competition in the retail market is high. In this environment, leading mega-retailer Carrefour Egypt has found a strategy to compete, and it centers on one thing: customer satisfaction. Carrefour pursues this strategy by constantly finding ways to improve quality, choice, and prices.

Majid Al Futtaim Retail operates 40 Carrefour hypermarkets and supermarkets throughout the country.

As Majid Al Futtaim Retail's country head, Jean-Luc Graziato is on a mission to deliver customer satisfaction in a different way: sustainable business practices. Graziato recently implemented a project to reduce power consumption and ensure uptime in about half of all Carrefour stores.

His key goals included:

- Measure energy consumption across stores to identify high- and low-performing stores;
- Use insights from energy dashboards and performance reports to continually optimize power usage;
- Ensure protection against downtime threats, such as equipment malfunctions or power outages, via timely notifications;
- Maximize uptime for power, lighting, ovens, refrigerators, and other business-critical assets.

#### The EcoStruxure™ Solution

To help Graziato achieve these goals, Schneider experts proposed a digital solution that could monitor individual devices and offer expert guidance on power use optimization.

- Apps, Analytics & Services: EcoStruxure Facility Advisor;
- Edge Control: EcoStruxure Facility Expert;
- Connected Products: Power meters, modems, and external GPRS antennae.

EcoStruxure Facility Advisor suite of services and analytics enabled Graziato to monitor his energy use and asset availability around the clock. Key benefits include:

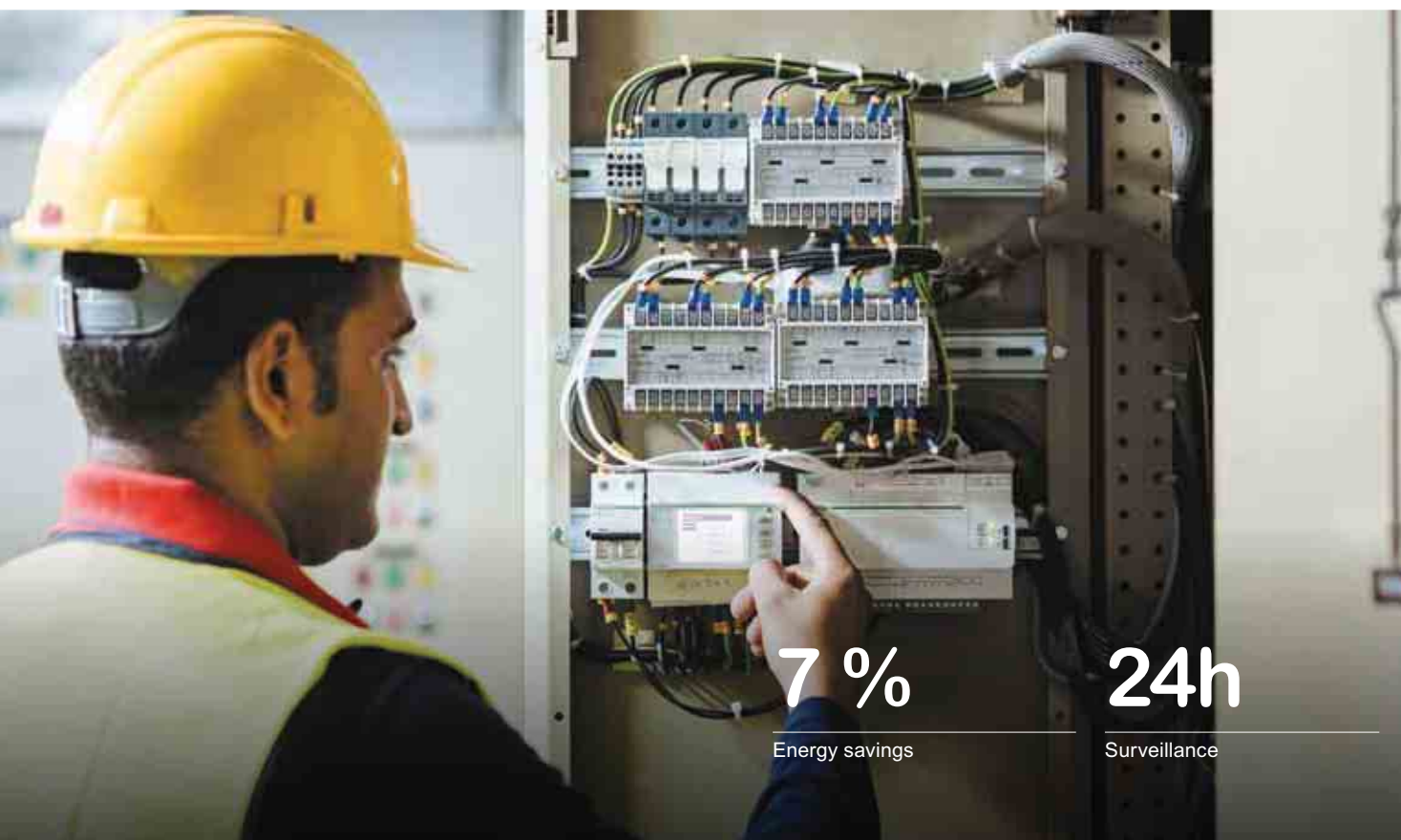
- Performance reports and recommendations delivered by Schneider Electric engineers;
- Timely alarm notification and web portal for monitoring, analysis, and easy issue resolution;
- Performance tracking across 19 stores to create benchmarks and deep analytics to locate energy saving opportunities;
- Cloud-connected meters that track performance across assets to ensure optimal performance and uptime.

#### The Results

- Energy savings of 7% thus reducing carbon footprint and reaching sustainability goals;
- Rapid customization across 19 stores in just 16 weeks;
- ROI secured within two years and plans to scale the solution to every store in Egypt;
- Enhanced operational efficiency and business continuity via timely alarm notifications and abnormal energy use detection.



Watch video [https://www.youtube.com/watch?v=Pgc1cCrTL\\_w](https://www.youtube.com/watch?v=Pgc1cCrTL_w) →



7 %

Energy savings

24h

Surveillance



“Schneider Electric’s expert team has been able to meet our expectations by listening to us and adapting their solutions to our stores’ configurations.”

**Jean-Luc Graziato**

Country Head for Carrefour Egypt at Majid Al Futtaim Retail

### 3. Our business in detail

# RCL Foods: Smart manufacturing for the sugar industry

South African food producer's modernization and digitization of its aging sugar mill with EcoStruxure™ Plant has led to an increase in throughput of up to 20%, helping them become more efficient and reliable to stay competitive.

Founded in 1960, Durban-based RCL Foods has over 20,000 employees across three core divisions – Consumer, Sugar & Milling, and Logistics. Its Pongola mill, located in the north of the KwaZulu-Natal province, is one of three sugar mills which collectively produce over 600,000 tons of sugar a year.

#### The Challenge

Its obsolete DCS system for the juice preparation and crystallization areas of the Pongola sugar mill was in desperate need of an upgrade. They experienced extensive downtime, breakages, and stoppages, including 33-40 blackouts a season. Their dependence on external resources for any maintenance also caused extended production losses due to slow response times.

RCL's modernization was designed to achieve:

- Improved uptime and reliability;
- A scalable & expandable solution;
- More operational information;
- Empower the workforce to improve decision making;
- Process control optimization;
- Access to local support & expertise.

#### The EcoStruxure™ Solution

Connectivity and Efficiency with EcoStruxure™ Plant:

- Apps, Analytics & Services: AVEVA industrial software\*: System Platform, Historian, Historian Client, InTouch HMI (Remote Client)
- Edge Control: Modicon M580 PAC, M340
- Connected Products: X80 I/O, ConneXium network switches, Magelis HMI, Telefast ABE wiring interfaces.

After careful consideration, RCL Foods picked a full, systemic, IoT-ready solution based on EcoStruxure Plant. The scope of work was broad, from the implementation of connected products (Modicon X80 I/O modules, ConneXium network switches, Magelis HMIs, Telefast ABE wiring interfaces), through edge control (Modicon M580 Ethernet programmable automation controllers), to software and analytics (AVEVA's System Platform, Historian and Historian Client, and InTouch HMI).

Partnering for success: To deliver the combined IIoT-ready hardware and software solution, Schneider Electric partnered with Control Software Solutions (CSS), a Master Alliance System Integrator Partner & Certified Wonderware Partner, because of their expertise in innovative and customized solutions and their track record for successfully delivering solutions using System Platform and Schneider Electric PLCs.

#### The Results

A reliable and flexible automation system using EcoStruxure Plant, underpinned by the capabilities of the IIoT, returns control to the hands of RCL operators, backed by strong local support.

- 20% increase in the plant's throughput;
- Improved competitiveness;
- Enabled technology (simplified process optimization);
- Modern, high performance PLC system with high availability in RIO & Hot Standby;
- Reduced downtime for better reliability;
- Remote visibility and diagnosis;
- Improved operational information thanks to new software standards;
- Expert local support;
- In-house first-line support.



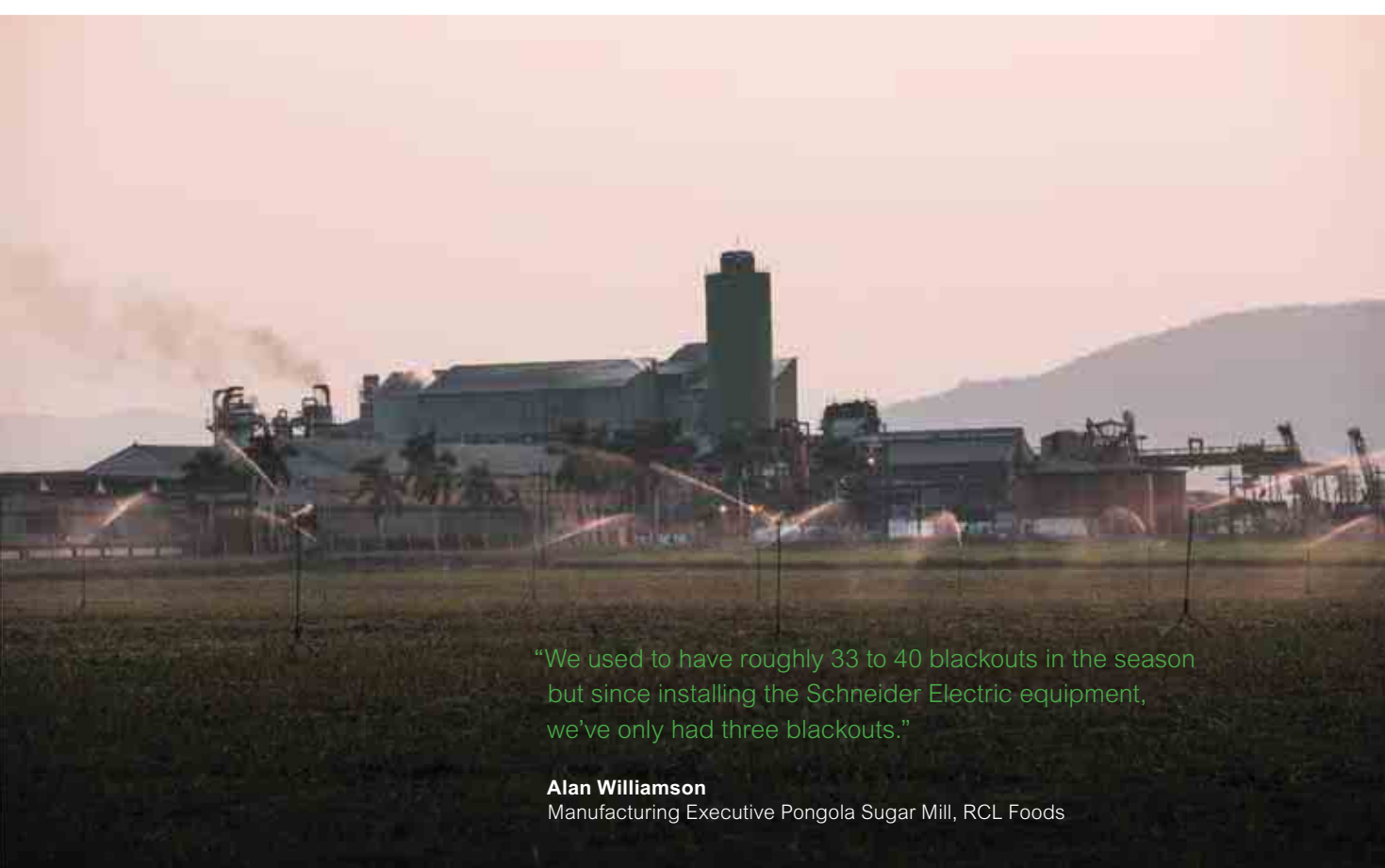
Watch video <https://www.youtube.com/watch?v=MiuZRcY12xc> →

\* The Schneider Electric industrial software business and AVEVA have merged to trade as AVEVA Group plc, a UK listed company. The Schneider Electric and Life is On trademarks are owned by Schneider Electric and are being licensed to AVEVA by Schneider Electric.



20%

increase in the plant's throughput



"We used to have roughly 33 to 40 blackouts in the season but since installing the Schneider Electric equipment, we've only had three blackouts."

**Alan Williamson**  
Manufacturing Executive Pongola Sugar Mill, RCL Foods

### 3. Our business in detail

## 3.2 Company history and development

From its beginnings in steel during the Industrial Revolution 180 years ago, to electricity and, more recently, energy management, the Group has undergone significant changes in its operations throughout its history.

### Development

#### Strengthening 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 enhanced our position in Core Low Voltage with Asco Power Technologies, a leader in the Automatic Transfer Switch (2017). We grew our presence in new economies with the acquisition of a stake in Delixi in China, Conzerv (2009) and Luminous Power Technologies (2011-2017) in India and Steck group in Brazil (2011).

#### Building a global leader in medium voltage and grid automation

We have historically been one of the leading players in medium voltage electrical distribution products and equipment. With the acquisition of Areva T&D (Areva's medium voltage distribution division) in June 2010, we became world leader in medium voltage and grid automation. In 2010, the Group acquired 50% of Electroshield-T Samara, a leading medium voltage company in Russia. In 2013, Schneider Electric acquired full ownership of this company, transforming Russia into a key market for the Group and turning Schneider Electric into a key player in the oil, gas and mining industry, as well as in the development of energy efficiency and the smart grid. With the acquisition of Telvent in 2011, a Spanish software company with a strong presence in North America, we became global leader in ADMS (Advanced Distribution Management Systems), supporting the monitoring and management of large electrical distribution networks.

### History



#### 1836-1880

##### A family business becomes a major player

##### 1836

Brothers Adolphe and Joseph-Eugene Schneider take over an abandoned foundry in Le Creusot, France and, 2 years later, create Schneider & Cie, focusing primarily on the steel industry. Schneider & Cie grows rapidly, specializing in the production of heavy machinery and transportation equipment, and eventually becomes the Schneider Group, a diversified conglomerate.

##### 1975

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



#### 1981-1999

##### The Group refocuses on the electricity sector

##### 1981-1997

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

##### 1999

Schneider Group acquires Lixel, one of Europe's largest suppliers of installation systems and control solutions. In May 1999 the Group is renamed Schneider Electric, to clearly emphasize its expertise in the electrical field.

### 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. to enter the process automation world and reinforces our position in integrated industrial automation and electro-intensive segments. In September 2017, we combined the Schneider Electric industrial software business and AVEVA to create a global leader in engineering and industrial software.

### Building a global leader in critical power

We identified critical power as a key technology for our portfolio and gained majority control of MGE UPS in 2004. We became a world leader with the acquisition of American Power Conversion (APC) in 2007, the US-based world leader in single-phase and 3 phase UPS with operations on all continents and USD2.5 billion in revenues. We expanded our operations in new economies with the acquisition of UPS manufacturer Microsol Tecnologia in Brazil in 2009 and the acquisition of APW in India in 2011. In 2011, we broadened our portfolio with cooling offers from Uniflair, data center services from Lee Technologies and backup power storage from Luminous.

### Creating a major player in building automation

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. In recent years we have further developed our operations in mature countries, in particular through the acquisition of 2 pioneering French companies in 2010: Vizelia, a provider of software that monitors the energy consumption of buildings in real time, and D5X, a specialist in solutions optimizing the use of commercial buildings. The acquisitions of Summit Energy (2011) and M&C Energy group (2012) increased our expertise in energy procurement services.

### Recent external growth

In 2018, Schneider Electric further optimized its offer portfolio to strengthen its focus on core businesses and drive the Group's performance:

- in January 2018, Schneider Electric took control of IGE+XAO a leader in design software for electrical installations through its CAD (Computer Aided Design), PLM (Product Life cycle Management) and simulation software. The transaction aims to reinforce the software offer of Schneider Electric in a field complementary to products and solutions supplied for electrical distribution, creating future synergetic opportunities.
- in May 2018, Schneider Electric announced the signing of an agreement with Larsen and Toubro Ltd., a leading conglomerate in India, to buy its Electrical and Automation business and combine it with Schneider Electric India's Low voltage and Industrial Automation Product business. The deal is subject to customary approvals from the Competition Commission of India and other regulatory authorities.

## Since 2000

### A Strategic Transformation

At the turn of the 2000s, Schneider Electric radically rethinks its growth strategy, setting itself 3 goals:

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

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



4. Research & Development

# 4. Research & Development

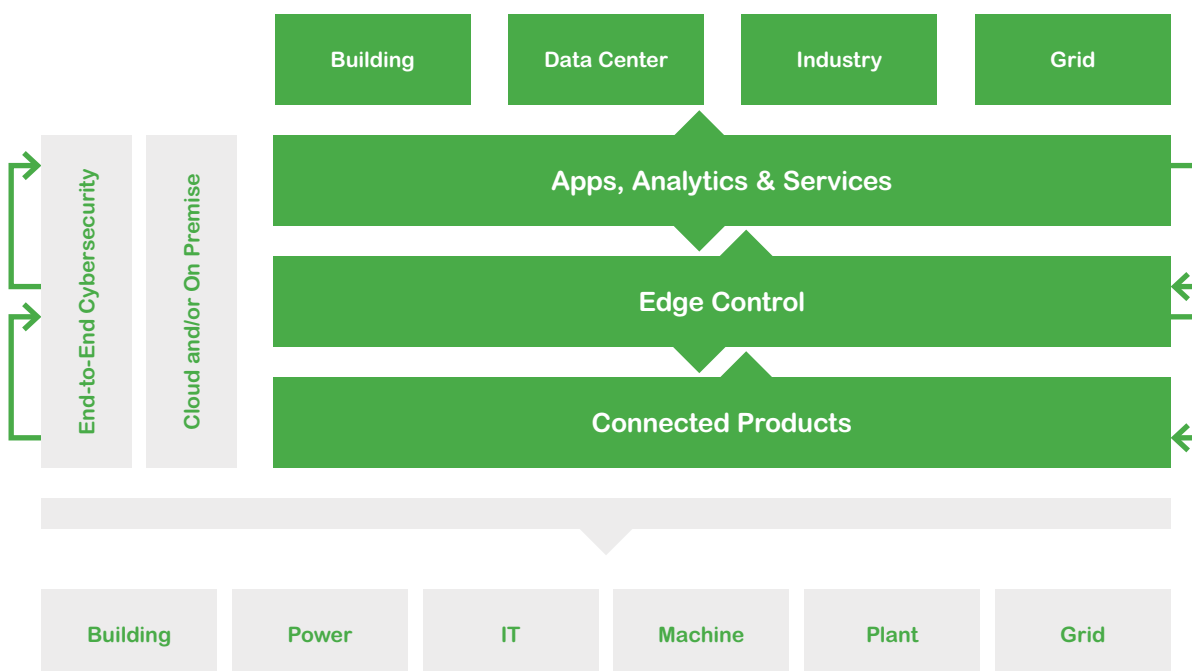
Innovation is key to our company's growth. Schneider Electric has had a history of innovation for more than 100 years.

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.

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

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

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





During 2018 the Group launched numerous innovative offers across its Businesses: Industrial Automation (Industry), Medium Voltage (Infrastructure), Low Voltage (Building) and Secure Power (IT). There is a clear value proposition that is now built around our 6 EcoStruxure™ domains. All the EcoStruxure™ domains were showcased during our Innovation Summit, in Singapore, in September 2018.

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

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

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

**In the last year, the CTO board, which was created in 2017, has undertaken some key decisions on what will be its focus areas and major headway has been made in certain areas:**

1. The Technical career path was launched so that all technical employees can better plan their career. Moreover, the expert's rewards and recognition process was revamped;
2. Major changes were made to the Offer Creation process in which new lean agile practices were introduced to produce our offers faster and launch them in the market effectively. Another salient point is frequent customer interaction during offer creation;
3. Our external collaboration and university partnerships lists were fixed and now we have some unique touchpoints with external agencies and universities to enable open innovation;
4. R&D footprint principles were defined and decided on how we can effectively make the best use of our resources;
5. The technology strategy was effectively defined and decided in 2018 with priorities assigned to certain areas of research. Strategic domains were brought down from 14 to 4 for effective management. Specific areas of research have been targeted and results are seen;
6. Tools and methods are being defined to ensure that the latest tools and software is available to work with. This will ensure faster and more productive R&D.

## 4. Research & Development

# 4.1 Identifying, supporting and nurturing innovative companies

Building on two decades of experience investing in startup companies, Schneider Electric, the leader in the digital transformation of energy management and automation, has announced in 2018 “Schneider Electric Ventures”.

The mission of this investment vehicle is to identify, support and nurture companies and entrepreneurs whose innovations will transform the way we live and work, how we produce and consume energy, and how we run buildings and factories.

Schneider Electric Ventures supports innovation through funding, incubation, and partnerships. Schneider Electric has committed to invest between 300 and 500 million euros in the coming years, and welcomes ideas from innovators and entrepreneurs eager to turn their ideas into reality.

Investments	Incubation	Fund of Funds
Schneider Electric Ventures invests in market innovations that are core to Schneider Electric businesses, adjacent innovations to enter new markets as well as disruptive ideas that will create new markets and help lead the way in the new energy future. Schneider Electric Ventures is active from early seed to growth investments, in all key geographies: US, Europe, and Asia.	Schneider Electric Ventures identifies ideas with a high-growth potential from employees, entrepreneurs, universities, and early-stage companies. Our team helps in growing these ideas into ventures that are spun-out. We provide support in forming the founding team, product development, business models, investments and customer development.	Our fund of funds identifies, evaluates and finances selected funds in targeted geographies. The goal is to improve our outreach both in terms of geographies and in terms of scope.

## Developing and investing in highly disruptive initiatives

In 2018, Schneider Electric Ventures ran a number of initiatives.

Incubation projects included:

- IQ Mobility, a start-up and spinoff from Schneider Electric Incubator, which enables and accelerates electric mobility at scale by providing “Electric Fleet as a Service” to large commercial fleets.
- Clipsal Solar, a business venture for on-grid and off-grid solutions for residential and commercial applications in Australia, where 1.8 million homeowners have installed solar panels to help manage their energy bills. The market is forecasted to grow with additional 134,000 homes by 2021.
- Greentown Labs Bold Ideas Challenge in partnership with Greentown Labs, focused on fast-tracking entrepreneurs with the mentors, team members, grants, business and technical resources they need to launch successful ventures.

In terms of investments in start-ups, here is the list of the companies we have already invested in:

- Sense, the leader in load disaggregation technology.
- Element Analytics, a leader in industrial big data analytics.
- Habiteo, a 3D specialist for new residential housing.
- QMerit, the “Uber” for contractors & MRO spend.
- KGS, a predictive engine for just-in-time maintenance.
- Claroty, the leading Cybersecurity company for industrial OT networks.

Schneider Electric Ventures does not stop at direct investments in promising ideas, we also extend our reach by investing in other funds whose investment thesis is aligned with our strategic objectives. Our fund of funds identifies, evaluates and finances selected funds in targeted geographies. Here are the current funds we have invested in:

- Clearvision Ventures invests in software companies that can drive disruptions in IoT, Big Data, and Security.
- Energize Ventures invests in digital solutions that drive affordability, reliability & security for energy & industry.
- Work-Bench is an enterprise VC fund based in New York City. Work-Bench invests across the US in early-stage enterprise startups who are rethinking the technology stacks powering Fortune 1000 corporations.
- CBC IV: A leading investor in Enterprise Software, IoT and Telecoms in China.

## 4. Research & Development

# 4.2 Transformations through company programs

At Schneider Electric, we communicate our strategy through a framework called our Company Program, which gives all employees visibility to our annual and long-term priorities. Our Company Program is structured around 4 main pillars: Do More, Digitize, Innovate and Step Up.

Program pillar	Description
<p><b>Do more</b> We go the extra mile to uncover great opportunities for our customers and ourselves, to expand our partnership and deepen trust.</p>	<p>This initiative aims to bring more value to customers and business to partners, more products and services, better systems, and a sustainable and connected supply chain. To continue to drive growth, the initiative also focuses on launching new innovative offers, increasing the effectiveness and impact of marketing spend, and increased market influence under the Sales and Marketing transformation.</p>
<p><b>Digitize</b> We provide best-in-class digital and better-connected solutions to make our customers' operations simpler and more efficient.</p>	<p>To accelerate and scale our digital journey, a new Schneider Digital organization was created focusing on 4 main pillars:</p> <ul style="list-style-type: none"> <li>• Digitize   EcoStruxure: to create greater customer value through product and system data (blending IoT and AI for efficiency);</li> <li>• Digitize   Experiences: Connect with users and customers, establishing a direct and scalable digital relationship;</li> <li>• Digitize   Foundations: Simplify IT systems and strengthen Data Management to make our back-end agile, scalable and real time;</li> <li>• Digitize   Security: Secure our customers by deploying Cybersecure, digital offers and being a cyber resilient organization.</li> </ul> <p>Through these pillars, Schneider Electric offers will be more connected, enabling new services, better digital experiences with more security, overall improving our customers' lives.</p>
<p><b>Innovate</b> to support growth and sustainability.</p>	<p>The Innovate initiative focuses on delivering the right products and solutions to customers in a focused and short timeframe. In addition, Schneider Electric remains committed and champion to Sustainability in the 5 megatrends of Climate, Circular Economy, Health &amp; Equity, Ethics and Development measured through the Schneider Sustainability Impact (SSI).</p>
<p><b>Step up</b> to make Schneider Electric a great place to work.</p>	<p>Step Up is our People strategy and consists of six people transformations to deliver on our ambitions for the future. It focuses on transforming our culture, our leadership and the way we think and act every day to create a great place to work for our current and future employees, providing them with the skills and tools to deliver a superior customer experience.</p>



## Progress in 2018

As in previous years, our strategic growth boosters focusing on more Products based on product revenues, Software based on industrial software sales as well as our new AVEVA portfolio, and Services offers have achieved great growth in 2018.



Each of the pillars have defined metrics to enable the 2020 vision and are on track towards their progress. In addition, to ensure that the Schneider Digital organization is committing to our Digital journey, a Digital Committee of the Board has been established.



- In various programs under Innovate there have been many achievements in our R&D agility, Open Innovation and Techno Strategy accelerating our evolution in Innovation.
- In Sustainability, with the 2015-2017 Planet and Society Barometer targets exceeded, more aggressive 2020 targets have been set in the new Schneider Sustainability Impact (SSI). The SSI already exceeded its 5/10 target end of 2018 with a 6.10/10 score.



Through the all-employee satisfaction survey called OneVoice:

- Highest participation score 81% (+1 pt versus 2017)
- Employee Engagement Index: 67% (+2 pts versus 2017)
- Very high Customer Focus at 81% (+2 pts versus 2017)



5. Organizational simplicity and efficiency

# 5.1 A customer-focused organization

Schneider Electric is leading the digital transformation of energy management and automation. With our partners, we are taking advantage of mega-trends around urbanization, industrialization, digitization and sustainability.

We make it possible for IoT-enabled solutions to seamlessly connect, collect, analyze and act on data in real-time, delivering enhanced safety, efficiency, reliability and sustainability.

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

## Dual orientation – technologies and end-markets

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

- **Energy Management** business includes medium voltage and grid automation technologies, low voltage, building automation and renewable technologies, as well as critical power and cooling technologies for data centers and non-IT applications.

- **Industrial Automation** business scope covers industrial automation, control and sensors technologies.

Both businesses manage their R&D, marketing and sales teams and are responsible for their global results.

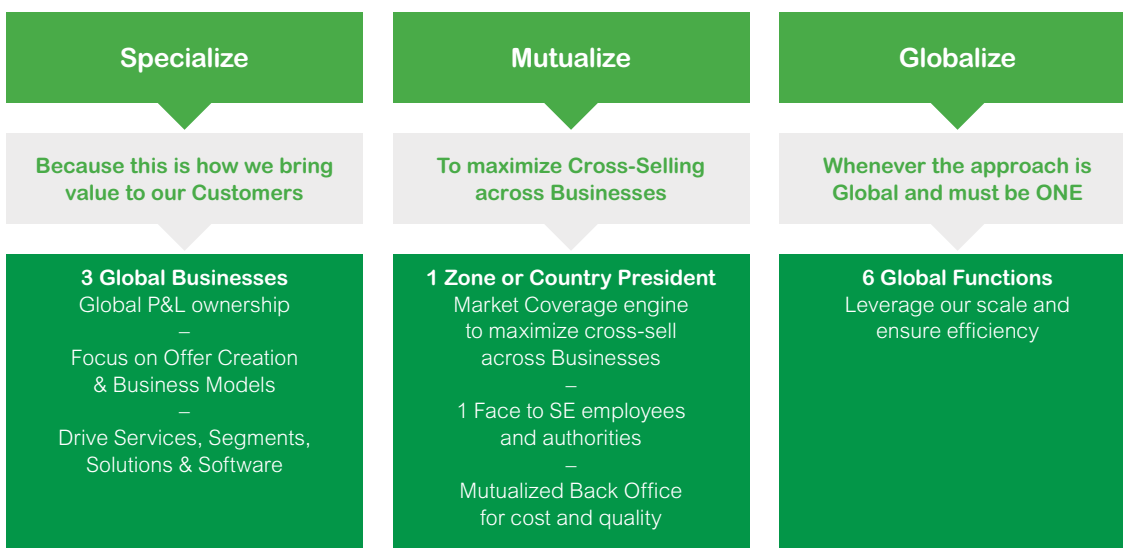
Additionally, the Group has organized its Services business as a third Global Business to increase focus on this strategic growth lever and enable continued presence all along the customer lifecycle.

Several back-office functions such as Finance, Human Resources, Schneider Digital and Global Marketing are handled by Global Functions, which have a governance role and provide services internally.

## Rationalization and optimization of synergies

The organization is deployed in accordance with 3 key concepts: **specialization, mutualization** and **globalization**. Specialization mainly concerns sales and front-office operations. Mutualization covers local back-office operations at the country and regional level. Globalization concerns the 6 support functions, now known as Global Functions.

### Our Organization is structured around 3 Core Principles...



- **Specialization:** In each country, each local sales force is organized under local Business VPs as soon as it reaches critical mass. The aim is to deploy specialized front office per business in each host country to respond more effectively to customer demand for specific expertise. Each business is also responsible for its overall results, both for product sales (in its business lines) and the implementation of solutions (especially for end-market segments within its scope). As projects can consist of products coming from different business units and in order to define a single point of contact for customers, each business unit is responsible for projects in certain defined end-markets. Business efforts have focused on implementing and strengthening existing teams dedicated to meeting the specific needs of these strategic customer segments with a strong focus on the collaboration between business lines, in order to ensure that these customers' needs are met as fully as possible.
- **Mutualization:** The business is organized around Organizational Regions: North America, China, France, Europe (which is comprised of 6 international zones: United Kingdom & Ireland, Northern Europe, Italy & CEEI, CIS, DACH, Iberian) and International Operations, which is comprised of 5 international zones (South America, East Asia & Japan, Middle East and Africa, India, and Pacific). Each of these regions has empowered Zone Presidents and Country Presidents, which are appointed in each country to be the custodians of 4 businesses in their countries: Industrial automation, Medium Voltage, Low Voltage and Secure Power, including Field Services. In addition, they are responsible for monitoring the full transversal P&L of the country, deploying Schneider Electric's strategy in the country (including all local cross-functional topics such as increasing cross-selling among businesses) and pooling local back-office resources. These resources are gradually brought together in each country or region under the Zone or Country President's supervision and can include multiple local support functions ranging from administration to project execution, depending on the situation. In addition, the Zone and Country President serves as the driving force for mutualization and is Schneider Electric's main representative in the country, most notably in dealings with employees and local officials.
- **Globalization:** Major support functions that are not specific to a given country or business are globalized to increase experience and leverage a significant scale effect around cost and service. Manufacturing and Supply Chain operations, areas of shared services or expertise (such as Finance and Human Resources), Strategy, Digital (including information systems) and Global Marketing functions are now included within the Global Functions. The global Supply Chain continues to focus on the areas of global productivity, customer differentiation and customer satisfaction.

Globalization concerns the 6 support functions, now known as Global Functions:

- Finance;
- Marketing;
- Global Supply Chain;
- Human Resources;
- Strategy;
- Schneider Digital.

## Schneider Digital

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

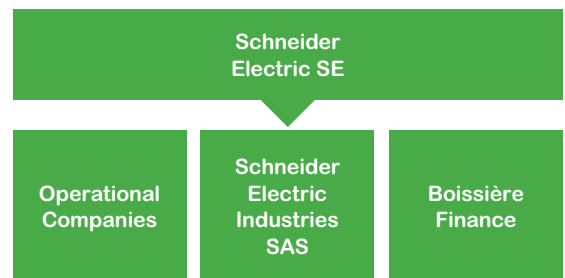
To measure the performance of its digital transformation, Schneider Electric also launched a Digital Barometer. With 33 KPIs split under the 4 strategic pillars of Schneider Digital (Secure, Engage, Create, Operate) and 1 enabler (Talent), the Digital Barometer is used by countries, domains and functions supporting the Group's global initiatives in Digitization, Simplification and Transparency.

In 2017, the Board of Directors launched a Digital Committee as a subset of the Board dedicated to digital transformation. This Committee meets quarterly to guide, support and control the Group's digitization efforts.

### 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 29 to the consolidated financial statements. Boissière Finance is the Group's centralized cash-management structure; it also centralizes hedging operations for all subsidiaries.

## 5. Organizational simplicity and efficiency

# 5.2 Manufacturing and supply chain: global redeployment

Schneider Electric has 200 plants and 98 distribution centers around the world. Customer satisfaction is its top priority.

While working constantly to improve occupational health and safety and environmental protection, Schneider Electric's manufacturing policy aims to fulfill 4 key objectives, in order of priority:

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

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

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

### Continuous improvement on a global scale

At the same time, an industrial excellence program called Schneider Performance System (SPS) has been rolled out in all plants to substantially and continuously improve service quality and productivity. The program also takes into account our environmental and staff health and safety criteria. Based on a lean manufacturing approach, SPS is supported by the extension of Six Sigma and Quality and Value Analysis programs across the Group. By deploying these optimization methods globally and sharing best practices, the Group intends to raise the operational performance of all its plants to the same high standard.

Schneider Electric's sites and products meet the applicable regulatory requirements relating to the environment. A continuous assessment system to ensure compliance with regulations is in place, relying mainly on internal and external auditors. On a regular basis, these norms and standards are exceeded by the specific requirements we set ourselves, for instance by replacing certain materials and substances used for our products before regulations require us to do so.

Our plants and logistics centers with more than 50 employees are ISO 14001 (environment) certified, and almost half of these sites have also achieved ISO 50001 (energy efficiency) certification. We implement an integrated management system that also covers Quality (ISO 9001) and Health and Safety (OHSAS 18001). In 2016, Schneider Electric continued implementing its Environmental and Health & Safety strategies for the 2015-2020 period, focusing its efforts on approximately 10 priority areas. These place increasing importance on EcoDesign, making it systematic and exhaustive, on our efforts to reduce CO<sub>2</sub> emissions, on our circular economy goals for our offers and for the resources used, and on our ever-increasing energy efficiency objectives. We strive in particular to constantly boost our customers' capacity to objectively assess the environmental added value our solutions offer them (energy and CO<sub>2</sub> efficiency, lifespan and ease of repair, etc.). We take into account customer expectations concerning our products' environmental profile, information transparency and access, and even end-of-life product management.

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

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

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



### The segmented response to customer needs

Since 2012, Schneider Electric has launched the Tailored Supply Chain program as part of the company program Connect, with the aim to better align the supply chain set-up with the needs and behaviors of each customer segment (distributors, partners, panel builders, etc.).

This approach has required the implementation of a more dynamic industrial strategy to restructure customer service practices, and the configuration of products, equipment, delivery methods and services offered to Group customers. In parallel, the Group has had to simplify its working approaches and focus on creating value for its customers by streamlining its decision-making processes and its organizational structure.

This relies on an industrial organization, structured around 7 operational regions (Europe, China, India-Middle East-Africa, Asia-Pacific, North America, South America and Equipment & Transformers), 6 leaders of the strategy of the chain logistics in the Business divisions as well as 8 central functions in charge of managing the transformations; Within each of these regions, all of Schneider Electric's industrial activities are grouped together. This has also led to the verticalization of all purchasing activities in a process of simplification and unification of contacts with suppliers.

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

- reduce the release time to customers;
- basic logistics offering, customized according to type of channel;
- industrial planning customized according to customer segment;
- development of the services offering, in line with our customers' installed base;
- improvement of the overall performance of the equipment supply chain;
- involvement of preferred suppliers in all aspects of this transformation approach;
- continued optimization of the entire industrial system to offer customized customer service;
- focus on excellence of the supply chain for growth activities;
- management of the release of new product offerings.

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

### The digitization of the supply chain

Since 2013, Schneider Electric has put emphasis on digitization as a way to accelerate and intensify its transformation, and in 2017, Global Supply Chain has launched TSC 4.0, adding 6 digital accelerators to the previous program, to speed up our transformation thanks to increasing digitization.

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

Supply chain optimization will benefit from the flow model, combined with the integration of the IT systems of our logistics partners with cloud technology. Similarly, a partnership with Kinaxis will enable the "digitization" of industrial planning and extend its scope. This technology facilitates interaction loops between the different functions and improves our responsiveness to customers while also significantly reducing the value of fixed assets in inventory. Finally, the development of new features tailored to each customer segment on our targeted computer systems (of the supply chain) is supported by a strengthened IT convergence plan.

This digitization of the supply chain is using our EcoStruxure™ solutions and Schneider Electric will have about 100 of industrial sites by 2020 as real show case for customer to demonstrate that EcoStruxure™ is one of the best in class solution to optimize Process and Energy Efficiency, but also Asset reliability. TSC 4.0 fully meets the priorities of the Group's industrial strategy by targeting customer satisfaction first and foremost while reducing costs for increasing responsiveness and reducing capital employed.

This digitization is accompanied by a reinforcement of Cybersecurity in the supply chain to endure the digital security of our products and of our means in production.

### A key competitive advantage for our customers

All of these efforts to improve the supply chain have been recognized well outside the company. In September 2017, Gartner, a leading IT research and advisory firm, ranked Schneider Electric's supply chain 5th in Europe and 12th worldwide, a continuous improvement since 2014 of 17 and 54 places respectively.

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.

## 5. Organizational simplicity and efficiency

# 5.3 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 Company program and strategic transformation to optimize purchasing, the Group has accelerated the plan, launched several years ago, to concentrate its supplier base and source its purchases from top-performing suppliers ("recommended" suppliers) and to increase sourcing from new economies, which already passed 66% in 2018 and will increase to over 75%. In addition, the Group is rolling out the "Purchasing Excellence System" with a view to involving suppliers, as a component in the 'End-to-end Supply 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 to reach and pass a required level which is permanently upgraded. Moreover, Schneider Electric has developed a vigilance plan to investigate, check and prevent risks of unethical practices from Tier 1 as well as Tier 2 & 3 suppliers, which includes performing targeted on-site audits.



## 6. How we manage risks

# 6.1 Definition and objectives of internal control and risk management

### Definition and objectives

The Group's internal control procedures are designed to ensure:

- compliance with laws and regulations;
- application of instructions and guidelines issued by Group Senior Management;
- the proper functioning of the company's internal processes;
- the reliability of financial reporting; and more generally, internal control helps the Group manage its businesses, run efficient operations and use its resources efficiently.

Internal control aims to prevent and manage risks related to the Group's business. These include accounting and financial risks, as well as operating, fraud and compliance risks. However, no system of internal control is capable of providing absolute assurance that these risks will be managed completely.

### Scope of this report

The system is designed to cover the Group, defined as the Schneider Electric SE parent company and the subsidiaries over which it exercises exclusive control.

Jointly controlled subsidiaries are subject to all of the controls described below, with the exception of self-assessments of the implementation of Key Internal Controls (see "Operating Units" below), page 57.

### 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

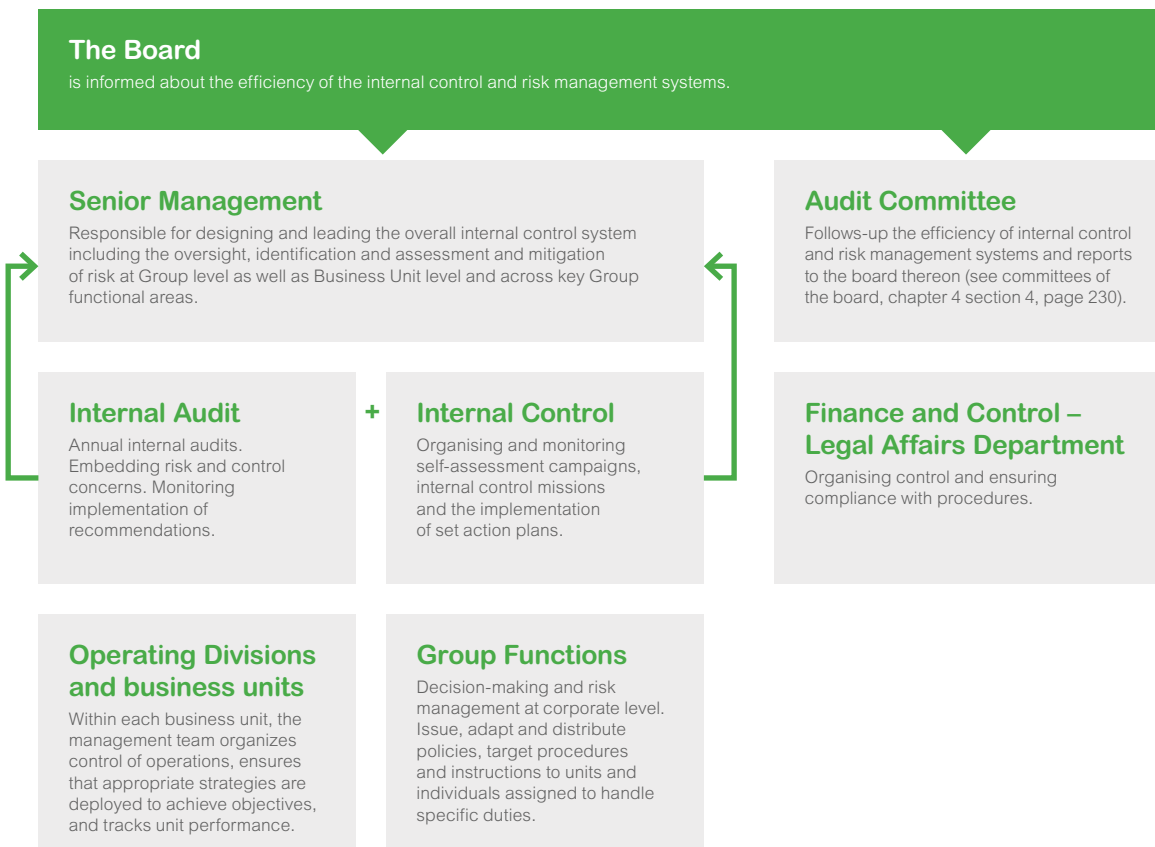
This report was prepared using contributions from the Group's Internal Audit and Internal Control Departments, the Management Control and Accounting Departments, as well as the various participants in internal control. It was reviewed by the Audit Committee.

6. How we manage risks

# 6.2 Organization and management: internal control key participants

The Group's corporate governance bodies supervise the development of internal control and risk management systems. The Audit Committee has particular responsibility for following up the efficiency of internal control and risk management systems and reports to the Board of Directors thereon (see committees of the board, chapter 4 section 4, page 230).

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 hereafter.



## Senior Management

Senior Management is responsible for designing and leading the overall internal control system, with support from all key participants, in particular the Group Internal Audit and Internal Control Departments.

It also monitors the Group's performance, during business reviews with the Operating Divisions and Global Functions. These reviews cover business trends, action plans, current results and forecasts for the quarters ahead.

Similar reviews are carried out at different levels of the Group prior to Senior Management's review.

## Internal Audit Department

The Internal Audit Department reports to Senior Management. It had an average headcount of 22 people in 2018. 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 and procedures is ensured;
- compliance with the instructions of the Head of the Group is ensured;
- acquisition of resources is carried out at a competitive cost, and their protection is ensured;
- expenses are properly engaged and monitored;
- correct integration and control of acquisitions is ensured.

Annual internal audit plans are drawn up based on a combination of a risk based and audit universe coverage based approach. The risk based dimension is embedding risk and control concerns identified by Senior Management, taking into account the results of past audits, the results of Key Internal Control self-assessments returned by the units and other indicators such as Corruption Perception Index and COFACE Country Index. When necessary, the audit plan is adjusted during the year to include special requests from Senior Management. The internal audit process is described in the section "Control procedures" below.

After each internal audit, a report is issued setting out the auditors' findings and recommendations for the units or function audited. The management of audited entities or 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.

Audit reports and the implementation of their recommendations are distributed to Senior Management. An executive summary is sent to the President of the Audit Committee. A synthesis of the main take aways and conclusions from audit missions is presented to the Audit Committee for each committee session (5 times per year).

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

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

## Internal Control Department

The Internal Control Department, which reports to the Internal Audit Department, is responsible particularly for:

- defining and updating the list of Key Internal Controls in close cooperation with the Global Functions and other subject matter experts in line with the recommendations of the AMF reference framework;
- maintaining and leading a network of around 27 regional internal controllers who:
  - perform on-site control of the accuracy of self-assessments; perform management diagnosis missions and check the efficiency of remediation action plans implemented by 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 units within their scope of internal control action plans defined following self-assessments, internal control or management diagnosis missions;
- maintaining and leading a network of around 11 local internal controllers who are responsible to support the local management on internal control topics and act as process owners for certain key areas such as the chart of authority and segregation of duties. This network will be extended step by step over the coming years;
- organizing and monitoring the roll-out of self-assessment campaigns, internal control missions and the implementation of set action plans following self-assessments or internal control missions.

The team continues to improve the internal control process and adapt its procedures following 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;

## 6. How we manage risks

- the quality of accounting and financial processes and data;
- training for finance staff by developing and leading specific seminars on the function;
- drafting, updating and distributing the necessary documents for producing quality information.

The unit drafts and updates:

- a glossary of terms used by the Management Control and Accounting unit, including a definition of each term;
- the chart of accounts for reporting;
- a Group statutory and management accounting standards manual, which includes details of debit/credit pairings;
- a Group reporting procedures manual and a system user's guide;
- a manual describing the procedures to be followed to integrate newly acquired businesses in the Group reporting process;
- an intercompany reconciliation procedures manual;
- account closing schedules and instructions.

The Management Control and Accounting unit monitors the reliability of data from subsidiaries and conducts monthly reviews of the various units' primary operations and performance.

The Finance and Control – Legal Affairs Department, the Tax and Legal teams oversees tax and legal affairs, to provide comprehensive management of these risks.

Within the Finance and Control – Legal Affairs Department, the Finance and Treasury Department is responsible for:

- centralized management of cash and long-term Group financing;
- centralized management of currency risk and non-ferrous metals risk;
- monitoring of Group trade accounts receivable risk and the definition of the credit policy to be implemented;
- the distribution of rules for financial risk management and the security of incoming and outgoing payments;
  - define guidelines and contributes to the definition of Key Internal Control indicators relating to treasury and credit management,
  - review the related risks of complex projects as a subject matter expert,
  - select Group Tools for Credit, Trade and Cash Management;
- the annual review of financial structures – balance-sheet changes and financial risks – facing the Group's companies during formal financial review meetings.

Procedures for managing financial risk are described in "Risk Factors" chapter 1, section 7.

## Operating Divisions and business units

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

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

The Executive Vice-Presidents leading or supervising the Operating Divisions sit on the Executive Committee, which is chaired by the Chairman and CEO of the Group.

Within each business unit, the management team organizes control of operations, ensures that appropriate strategies are deployed to achieve objectives, and tracks unit performance.

A Management Committee led by the corporate Management Control and Accounting unit reviews the operations of the Operating Divisions every month.

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

In addition to specific processes or bodies such as the Group Acquisitions Committee (see "Risk Factors" chapter 1, section 7) for making and implementing strategic decisions and centralization of certain functions within the Finance and Control – Legal Affairs Department (see above), Schneider Electric centralizes certain matters through dedicated Global Functions thus combining decision-making and risk management at the corporate level.

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

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

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

Global Functions and Division also issue, adapt and distribute policies, target procedures and instructions to units and individuals assigned to handle their specific duties. Global Functions have correspondents who work with the Internal Control Department to establish and update the Key Internal Controls deployed across the Group.

## 6.3 Distributing information: benchmarks and guidelines

The main internal control benchmarks are available to all employees, including in the Group's employee portal. Global Functions send updates of these reference documents to the appropriate units and individuals through their networks of correspondents.

In some cases, dedicated e-mails are sent out or messages are posted on the employee portal to inform users about publications or updates.

Whenever possible, the distribution network leverages the managerial/functional organization to distribute standards and guidelines.

### **Principles of Responsibility**

See "Ethics & Responsibility" chapter 2, page 114.

### **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 4 section 2 on page 222). Such persons are prohibited from trading in the Company's securities at any time if they are in possession of price-sensitive information which has not been made public and during specified periods prior to (and until the day of) release of the Group's financial statements and quarterly information on sales.

### **International Internal Auditing Standards**

The Internal Audit Department is committed to complying with the international standards published by the Institute of Internal Auditors (IIA) and other bodies.

### **International Financial Reporting Standards (IFRS)**

The consolidated financial statements for all fiscal years commencing on and after January 1, 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with European Union regulation no.1606/2002.

The Group applies IFRS standards as adopted by the European Union as of December 31, 2018.

The Group's accounting principles reflect the underlying assumptions and qualitative characteristics identified in the IFRS accounting framework: accrual accounting, business continuity, true and fair view, rule of substance over form, neutrality, completeness, comparability, relevance and intelligibility.

The Group statutory and management accounting standards manual explains how IFRS principles are applied within the Group, taking into account the specific characteristics of the Group's activities.

The application of Group accounting principles and methods is mandatory for all Group units, for management reporting and statutory consolidation. The Group statutory and management accounting standards manual and the IFRS principles are available via the employee portal.

### **Approval limits**

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

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

## 6. How we manage risks

In addition, all transactions which by their size or nature could affect the Group's fundamental interests, must be authorized in advance by the board of directors, i.e., decisions relating to the acquisition or disposal of holdings or assets for amounts greater than EUR250 million; decisions relating to strategic partnerships and major changes of course in the strategy, and decisions relating to the issuance of off-balance sheet commitments that exceed the limits prescribed by the board.

### Statutory and management reporting principles

An integrated reporting and consolidation system applicable to all Group companies and their management units has been in place since January 1, 2006. Statutory and management reporting principles and support tools are available on the Group employee portal.

The subsidiaries record their transactions in accordance with Group standards. Data are then adjusted, where necessary, to produce local statutory and tax accounts.

The reporting system includes consistency controls, a comparison of the opening and closing balance sheets and items required to analyze management results.

### Key Internal Controls

A list of Key Internal Controls was drawn up in 2008 and is reviewed annually. They cover:

- the Control Environment (including the Responsibility and Ethics program, chart of authority, segregation of duties, business continuity plan, retention of records and business agents);
- operating processes (Procurement, Sales, Logistics, etc.);
- accounting and financial related cycles;
- Human Resources and Information Systems cycles.

The Key Internal Controls are available to all units in the Group employee portal and shared depository, along with appendices with more detailed information, links to policy descriptions, an explanation of the risks covered by each Key Internal Control and a self-assessment guide.

For each cycle, the Key Internal Controls cover compliance, reliability, risk prevention and management and process performance. Operating units fill out self-assessment questionnaires concerning the Key Internal Controls using a digitized tool.

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





## 6.4 Risk identification and management

### General risks at the Group level

The Internal Audit Department conducts interviews to update the list of general risks at the Group level each year. In 2018, around 108 of the Group's top managers were interviewed, in addition to external views such as financial analysts and board members. Since 2016 individualized risk matrices by Operation or by Business have been created.

The risks identified through these interviews are ranked by a risk score (comprising impact and likelihood of occurrence) and level of mitigation.

Risk factors related to the company's business, as well as procedures for managing and reducing those risks, are described in "Risk Factors". These procedures are an integral part of the internal control system.

The risk matrix and the analysis of changes from one year to the next contribute to the development of an internal audit plan for the following year. 78% of the risks categories identified in the Group's risk matrix are audited by the Internal Audit Department over a period of 5 to 6 years to assess action plans for managing and reducing these risks.

In 2018, overall risks relating to strategy and transformation have stabilized or improved compared to operational, environmental and regulations risks.

### Local risks related to the company's business at the unit level

Local risks related to the company's business are managed first and foremost by the units in liaison with the Operating Divisions, based on Group guidelines (particularly via the Key Internal Controls). Each subsidiary is responsible for implementing procedures that provide an adequate level of internal control.

The divisions implement cross-functional action plans for risk factors related to the company's business identified as being recurrent in the units or as having a material impact at the Group level, as appropriate. The internal control system is adjusted to account for these risks.

The Group's insurance programs cover the remaining portion of transferable risks.

### Risks related to Solutions

The Solutions Risk Management Department defines and implements principles and tools designed to manage the contractual (such as limitation of liabilities), technical (such as technical discrepancy versus customer specifications) and financial risks (such as margin slippage at solution execution phase).

The network of Solution Risk Managers assesses the risks of all major projects in conjunction with the Tender Managers during the preparation of offers.

### Risk management by the Risk and Insurance Department

The Risk and Insurance Department contributes to the internal control system by defining and deploying a Group-wide insurance strategy, as defined in "Risk Factors and Insurance Strategy". The insurance strategy includes the identification and quantification of the main insurable risks, the determination of levels of retention and the cost benefit analysis of the transfer options. The Risk and Insurance Department also defines, proposes and implements action plans to prevent these risks and protect assets.

### Risk management by the Security Department

The Group's Security Department defines corporate governance with regard to loss prevention in the area of willful acts against property and people.

To be more powerful and more balanced, a "Global Security-Group Committee" was created in 2017, gathering together the Zone Security Leaders (8 managers in total). Some of these leaders report directly to the Global Security Department (Central & South America, South East Europe, East Asia & Japan, Africa & Middle East) and some to local management with functional reporting to Global Security Department (North America, Greater India, CIS, France). In this respect and in close cooperation with the Risk and Insurance Department, it is directly involved in assessing the nature of such risk as well as defining adequate prevention and protection measures.

The Security Department publishes internally a table of "Country Risks" for use in security procedures that are mandatory for people traveling, 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 (SECC – Schneider Electric Emergency Coordination Center, created in 2009) each time that it is activated.

## 6. How we manage risks

The Security Department co-chairs the Fraud Committee alongside the Internal Audit Department and the Legal Department and is directly involved in combating internal fraud (managing and carrying out internal investigations). The Security Department created in 2013 a Schneider Electric-Bureau of Investigation (SEBI) responsible for investigations (internal and external fraud) within the Security Department itself and in charge of supporting internal investigators as well as defining methodology & procedures to conduct investigations properly (in accordance with the law and to be efficient in gathering evidence effectively).

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

### Management of Cyber posture and Cyber risks across Schneider Electric

The Digital Security Function inside the Schneider Digital organization defines the Cybersecurity foundations, strategy and approach of Schneider Electric. This department is accountable to protect the Digital assets and offers for Schneider Electric and subsidiaries; manages the Cyber Risk Register; drives Cyber Security awareness across the Company; owns the creation, maintenance and enforcement mechanisms of Digital Security policies; ensures the execution of Cyber Security initiatives across Schneider Digital practices and manages the Cyber Security Incident Prevention, Detection and Response process.



## 6.5 Control procedures

In addition to the general missions already described, this section describes specific measures taken in 2018 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 2018 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 2018 campaign covered more than 90% of consolidated sales and made it possible to define improvement plans in operating units, when necessary. The ultimate goal is that these evaluations should cover at least 90% of consolidated sales each year.

The self-assessments are conducted in the units by each process owner. Practices corresponding to the Key Internal Controls are described and the entity is either compliant or not compliant with a particular control.

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 carry out controls on site to assess the reliability of self-assessments and conduct diagnostic missions as requested by management.

### Global Functions

In 2018, the Global Functions continued to set guidelines, issue instructions and provide support.

For example:

- the Security Department fully updated the Global Security Directive on "Site Protection". This directive sets out the requirements for fire prevention and protection against intrusion;
- Global Security issued a new update of the Global Travel Policy, with many novelties along with simplifications;
- Three new roles, dedicated to security were created (Andean zone, Central America & Philippines). These new positions are to provide more support to the local management in assessing risks and in defining relevant security setups, means & procedures ;
- training on ethical topics continued for all employees, with a specific focus on the most exposed functions and entities;
- the Solutions Risks Management team continued to develop supports to streamline the analysis, mitigation, and approval of liability related issues, resulting in gains in internal efficiency (reduced cycle time) as well as customer responsiveness;
- the conclusion of commercial framework agreements with key customers was supported by the Solutions Risks Management team, resulting in significant order intakes with major accounts, instilling customer intimacy through efficiency in risk review and negotiation;
- the Group chose and started to deploy Credit Management and Trade Finance tools worldwide in 2017 and the deployment covers 80% of the scope today, improving the follow up of risks and commitments.

## 6. How we manage risks

### Internal Control Department

The Internal Control Department continued to deploy the Key Internal Controls – training and requests for self-assessments – throughout the units, with the scope extended to cover new units.

In 2018, certain Key Internal Controls that have been identified since 2015 as critical remained a focus and actions were taken to increase their level of awareness and compliance. Led by the IT Internal Audit team, the IT Internal Controls Framework is being developed.

The list of Key Internal Controls continues to evolve.

The software package for the management of self-assessment questionnaires and follow-up action plans of internal audit and internal control introduced in 2011 continues to be improved.

The local Internal Control team which consists of around 11 members located in various geographies dedicated their efforts to improving internal controls in the local entities.

The regional Internal Control team consists of 27 regional internal controllers in 5 regions, who:

- perform the duties defined under the section "Organization and management: key participants of internal control – Internal Control Department" for the units in their geographical scope, covering all Operational Departments;
- establish standardized procedures (e.g., for internal control assignments, such as control cycles, documentation, scope definition, work programs, etc.);
- completed more than 100 on-site inspection missions in 2018 to assess the level of internal control and to issue 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.

Audit assignments go beyond 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 2018, Internal Audit performed 39 audits, including:

- audits of units;
- audits of a number of risks or operating processes;
- post-acquisition audits for newly acquired companies;
- analyses of internal control self-assessments by 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 of the Principle of Responsibilities and of the Responsibility & Ethics Dynamic program, segregation of duties and access rights to IT systems, management of price conditions, alignment with the Chart of Approval, solutions and projects bid management and margin control at the 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 its recurrence.

The limited Fraud Committee is composed of the Group General Counsel & Chief Compliance Officer, Head of Global Security and Head of Internal Audit & Internal Controls; it meets on a monthly basis as well as on an *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.

## 6.6 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;
- checks and analyses as described above performed by the Management Control and Accounting unit.

## 7. Risk factors

# 7.1 Principal risks

As described in section 6 of this chapter “How we manage risks”, Schneider Electric regularly analyses the risks and threats it faces, which has revealed 8 major risk categories as follows:

<b>Operational risks</b>	
Schneider Electric operates worldwide, in competitive and cyclical markets	61
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	62
Schneider Electric's strategy involves growth through acquisitions and mergers that are potentially difficult to execute	63
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	64
<b>Industrial and environmental risks</b>	
Protecting and future-proofing the Group's ability to grow sustainably does require a rigorous identification, prevention and mitigation of a variety of Environmental risks	66
<b>Information systems risks</b>	
	68
<b>Extra financial risks</b>	
Risks in relation to climate change	69
Other extra-financial risks	70
<b>Market risks</b>	
Interest rate risk: The Group is exposed to risks associated with the effect of changing interest rates in different countries	70
Currency exchange risk: The Group's international operations expose it to the risk of fluctuation of exchange rates	71
Equity risk: The Group's exposure is primarily related to treasury shares	71
Raw material exposure: The Group is exposed to fluctuations in energy and raw material prices	72
Counterparty risk	72
Liquidity risk	73
<b>Legal risks</b>	
Our products are subject to varying national and international standards and regulations	74
Risks related to products sold	75
The development and success of the Group's products depends on its ability to protect its intellectual property rights	76
<b>Disputes</b>	
	77
<b>Insurance strategy</b>	
	79

## Operational risks

Schneider Electric operates worldwide, in competitive and cyclical markets

### Why we think this is important

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

As 42% of the Group's revenue is generated in emerging countries, we are exposed to the risks associated with those markets.

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

### How we are mitigating the risk



Schneider Electric has implemented procedures designed to protect the Group as far as possible from these risks, which are generally beyond our control, and to manage them as effectively as possible. These procedures include quarterly business reviews in which performance and projections are monitored, in terms of activity, action plans, results to date and forecasts, at all organizational levels of the Group (see section 1.8 "Internal control and risk management"). The Group also has the necessary competencies to manage these risks, mainly through our central functions (finance, legal, tax and customs).

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

### Changes during 2018

No significant changes in 2018.

#### Key to symbols

 Risk increasing  Risk unchanged  Risk decreasing

## 7. Risk factors

### Operational 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

#### Why we think this is important

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, big 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.

#### How we are mitigating the risk

Since the market for software-based solutions has faster cycles, 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.

Further, to meet these challenges, the Group has increased its investments in the areas of embedded control (hardware and software), and cybersecurity. A Group-wide initiative aims at developing common control technologies, leveraging such advances as "controller on a chip", resulting in smart and open products that are "natively" secure. More and more, the development of products goes hand-in-hand with the development of life-cycle services leveraging web connectivity to deliver superior lifetime value to our customers. Such services not only open new recurring revenue opportunities for Schneider Electric, but reinforce the Group's competitive position versus potential new entrants.



#### Changes during 2018

To sustainably manage these challenges, the Group constantly invested in the competencies of its 8,500 R&D engineers, both to reinforce its traditional domains of expertise and develop new ones. We Leveraged Open Innovation through a global network that extends into universities, research centers, partners and start-ups complementing 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.

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

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

#### Key to symbols

 Risk increasing  Risk unchanged  Risk decreasing



## Operational risks

Schneider Electric's strategy involves growth through acquisitions and mergers that are potentially difficult to execute

### Why we think this is important

The Group's strategy involves strengthening its positions through acquisitions, strategic alliances, joint ventures and mergers. Changes in the scope of consolidation during 2018 are described in the note 2 to the consolidated financial statements (Chapter 5). External growth transactions are inherently risky because they involve upfront investment and transaction cost, while the expected benefits only materialize gradually over time and are subject to considerable uncertainty. Factors that can impact the realization of expected benefits include, inter alia, the macroeconomic environment, development of the specific markets in which the transaction takes place, competitors' response, management's execution of the strategy, and, to the extent relevant, the success in integrating the acquired business activities, including technologies and products, operations and people into the Group.

### How we are mitigating the risk

External growth projects are examined in detail by the businesses concerned and by the relevant corporate functions (including mergers & acquisitions, strategy, finance, legal, tax, human resources, insurance, real estate and IT) as part of a rigorous process led at Group level. All significant external growth projects are reviewed and approved at the outset and at all key stages by the Acquisition Committee, which is made up of selected senior executives including the Chairman and CEO, the Deputy CEO and CFO, and the Executive Vice President Strategy. The Chairman and CEO refers large transactions to the board of directors for approval.

The Group has a structured process for the integration of acquisitions which extends over a period of 12-36 months. The integration approach is dependent on the size, complexity, strategic intent and overlap of the acquired business with the Group's existing activities, varying from full integration to maintaining a largely separate organization. The integration plan for each acquisition is reviewed and approved by the Acquisition Committee as part of the approval of the transaction. The integration plan is implemented and monitored on weekly basis by an integration management office, which reports to a steering committee that initially meets at monthly intervals and subsequently on a quarterly basis.

The business unit proposing the external growth project is accountable to the Group's senior management for meeting clearly defined operational and financial targets which drive future performance and synergies. For large acquisitions, integration status, realization of the strategic intent, actual financial performance and key operational indicators are measured against targets during quarterly reviews, a summary of which is also presented to the board of directors. For smaller acquisitions, similar reviews are carried out on annual basis.

### Changes during 2018

No significant change in 2018.




### Approach to Valuation

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 7.0% at December 31, 2018, a slight decrease compared to 2017.

Goodwill is allocated to a Cash Generating Unit (CGU) when initially recognized. The CGU allocation is done on the same basis as used by Group management to monitor operations and assess synergies deriving from acquisitions. Impairment tests are performed at the level of the cash generating unit (CGU), i.e., the Low Voltage (Building), Medium Voltage (Infrastructure), Industrial Automation (Industry) and Secure Power (IT) businesses.

Where the recoverable amount of an asset or CGU is lower than its book value, an impairment loss is recognized. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted therefrom.

#### Key to symbols

 Risk increasing  Risk unchanged  Risk decreasing

## 7. Risk factors

### Operational risks

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

#### Why we think this is important

1) Competition for highly qualified management and technical personnel is intense in the Group's industry, and becomes a bigger challenge as the Group continues its trajectory of growth.

#### How we are mitigating the risk

The Group's People Strategy is strongly anchored in its People Vision, ensuring that we have a unique way of leading and working together, establishing a strong bond between employees and the company. The cornerstone of this ambition is the experience of employees throughout their journey at Schneider Electric.

#### Changes during 2018

No significant change in 2018.

2) Future continued success depends in part on the Group's ability to attract, hire, onboard and retain the best qualified personnel, especially in the areas of technology and energy efficiency solutions in markets like US and China.

The People Strategy focuses on transforming our culture, our leadership and the way we think and act every day to create a great place to work for our current and future employees. This is achieved thanks to our focus on a meaningful purpose, empowerment and inclusion. Other priorities include the identification and development of a global enterprise pool, focused on early-career highest potential global talents, and launch of the Global target universities strategy and management trainee programs.

3) Ability to retain key talents and provide robust career growth is critical to future success.

Proactive career development discussions and planning are underway. There is also the launch of the 'Open Talent Market' pilot to facilitate the matching of open positions with Schneider Electric employees.



4) Upskilling of key competencies and skills will drive innovation and profitable growth.

This is being supported by the launch of targeted training including a global leadership development program called 'Transforming SE Leadership' and Digital learning (through an app, Edcast) and digital training offers.

5) We have to manage knowledge retention and transfer with a maturing workforce (e.g. Sales and R&D).

Reverse mentoring programs, knowledge transfer and sharing with cross-global teams through various programs will help in securing the knowledge base.

#### Key to symbols

 Risk increasing  Risk unchanged  Risk decreasing

**Why we think this is important**

6) Sustaining a culture of innovation.

**How we are mitigating the risk**

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 greater diversity and an environment of inclusion can help us innovate for customers in the long run. Our multi-hub organization, with senior leaders in every continent, has been created to facilitate the growth of talent, and to give every employee the same chance of success in any part of the world. Other examples include the launch of a FreeUpYourEnergy whitepaper, development of the new Employee Value Proposition and company core values, creation of a tech community, a focus on wellbeing and a new workplace policy.


**Changes during 2018** 


No significant change in 2018.


7) Continuing to improve the process and digital employee experience which was highlighted as the number one issue in the last employee engagement survey.

Ongoing progress to simplify and accelerate our digital roadmap to improve the lives of our employees, making it easier to do their jobs.

**Key to symbols**

 Risk increasing

 Risk unchanged

 Risk decreasing

## 7. Risk factors

### Industrial and environmental risks

Protecting and future-proofing the Group's ability to grow sustainably does require a rigorous identification, prevention and mitigation of a variety of Environmental risks

#### Our plants and products are subject to strict environmental laws and regulations

Many countries increased requirements for waste and wastewater management, environmental governance and regulatory disclosure.

In 2018, key Product Environmental regulations were strengthened: RoHS, CA Prop. 65, REACh, WEEE.

French 'Duty of Care' and Country-specific initiatives (e.g. China) have reaffirmed the expectations towards engaging Suppliers in Environmental derisking efforts.

Our Mergers & Acquisitions (M&A) activity is ongoing and dynamic, and we need to critically assess Environmental risks of target entities.

We actively manage and mitigate the environmental risks of historically contaminated properties. Our environmental responsibility is paramount, and we work to comply to each and every regulation.

#### We sustained a strong set of environmental programs to derisk our business

Our CLEARR initiative (Company-wide Look at Environmental Assessment and Risk Review), helps evaluate historical and current environmental risks. Each CLEARR assessment is reviewed by an independent consultant, and actions are managed by our internal experts.

"Due Diligence Phase I" assessments are conducted as required for all acquisitions where there is environmental risk. The Group records environmental provisions when risks can be reliably measured, or when it is likely that clean-up work will have to be performed and related costs can be reasonably estimated.

Our Integrated Management System (IMS), which covers Safety, Energy, Quality, and Environment, continues to be deployed across all Industrial sites and major commercial offices.

Environmental & Safety compliance audits, conducted by third-party consultants or internal specialists, take place periodically across countries.

#### Summary of key milestones in derisking ourselves in 2018

To date, 254 sites have implemented CLEARR. Site leadership reviewed the observations and put in place action plans to mitigate any concerns.

Our Environmental Policy was updated in 2018 to reflect our priorities (decarbonization, biodiversity, water, circular economy), and reaffirm Risk management importance.

'Schneider Electric, as part of its sustainability improvement strategy, retained UL Environment in 2018 to assess their internal REACh and RoHS compliance programs to identify gaps for preparing a RoHS technical file, as defined in EN 50581 and Module A of Decision 768/2008, and for meeting declaration requirements as defined in EC 1907/2006, Article 33 (SVHC) and 67 of the REACh Regulation and Guidance for Substances in Articles. The scope of UL's review was limited to Schneider's system and processes. Gaps identified were resolved'.




REACh and RoHS Declarations collected from our supply chain are checked according to ISO2859-1 plan.

Provisions for environmental risks totaled EUR 300 million as of December 31, 2018. Each Region has implemented a process whereby Finance, Supply Chain and Environment experts periodically review state of Environmental risks and related liabilities.

IMS certification was renewed by BV (Bureau Veritas) (June 2018)




Historically contaminated properties received on-going care, with four sites closed (i.e., achieving regulatory closure and/or completion of obligations).

#### Key to symbols

 Risk increasing  Risk unchanged  Risk decreasing

The Group expects its costs for environmental compliance programs to increase as a result of changes to existing environmental regulations and the introduction of new regulations. There can be no guarantee that Schneider Electric will not be required to pay fines or compensation as a result of past, current or future breaches of environmental laws and regulations by companies that are currently or were previously members of the Group. This exposure exists even if the Group is not responsible for the breaches, in cases where they were committed in the past by companies or businesses that were not part of the Group at the time. Schneider Electric may also be exposed to the risk of claims for breaches of environmental laws and regulations. Such claims could adversely affect Schneider Electric's financial position and reputation, despite the efforts and investments made to comply at all times with all applicable environmental laws and regulations as they change. If Schneider Electric fails to conduct its operations in compliance with the applicable environmental laws and regulations, local judicial or regulatory authorities could require the Group to conduct investigations and/or implement costly clean-up measures to deal with the current or past contamination of current or former production facilities or off-site waste disposal facilities, and to scale back or temporarily or permanently close facilities in accordance with the applicable environmental laws and regulations. This also applies to the ecosystem upstream of Schneider Electric's suppliers, who also operate within clear regulatory frameworks, and whose activities may be impacted, or even interrupted, in the event of failure to comply with local environmental rules. Finally, the Group may be exposed to new risks related to recent acquisitions. In accordance with IFRS rules, these risks are assessed in the framework of the allocation of the purchase price, as specified in note 1.6 to the consolidated financial statements.

## Key to symbols

 Risk increasing     Risk unchanged     Risk decreasing

## 7. Risk factors

### Information systems risks

The Group operates, either directly or through service providers, a wide range of highly complex information systems, including servers, networks, data repositories, applications and databases, on premise and in the cloud, that are essential to the efficiency of our sales and manufacturing processes as well as platforms to enable Digital Offers such as EcoStruxure™

#### Why we think this is important

Failure of any of these hardware or software systems, a fulfillment failure by a service provider including data loss, human error or computer viruses could adversely affect the quality of service offered by the Group.

Problems may also be encountered during the deployment of new applications or software.

In addition, the provision of safe and secure foundational Information Systems is critical to the ongoing expansion of digital offers and customer interactions.

#### How we are mitigating the risk

The Group regularly examines alternative solutions to protect against this type of risk, performs regular compliance checks on service provider service level agreements and has developed contingency plans, and incident response capabilities to mitigate the effects of any information system failure.

In the last few years, the Group has developed ERPs systems under SAP, which it started to roll out in 2008. This roll-out process has been carried out fully or partially in several countries since 2008, and was deployed in France during 2017, with the United States planned to conclude in 2019.

The Group undergoes constant evolution and planning pertaining to its ERPs network, actively pursuing new trends as well as merger, acquisition and divestiture activities.

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 relations with service providers responsible for outsourced IT systems operations, and limit the related risks. Risk mitigation strategies are continuously improved including monitoring of legislative changes across country borders to maintain compliance with digital asset requirements.

#### Changes during 2018



In addition to the deployment of ERP systems, the Group is deploying various applications aimed at enhancing commercial experience, employee effectiveness and supply chain efficiency as well as enabling digital commercial offers such as EcoStruxure™.

All applications are subject to certification testing attempting to remove system vulnerabilities. These systems are housed either in on premise data centers managed by our service providers or are cloud-based applications and, as required, conform to the EU General Data Protection Regulation.

In addition, the Group reviewed all application use, their tenure and the associated legacy cost and potential risk to business continuity. A program has been launched to accelerate the retiring applications as and when appropriate to better support improved security, speed, scale and cost.

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, data loss or delays, they could have an adverse effect on inventory levels, service quality and, consequently, on our financial results.

#### Key to symbols

 Risk increasing    Risk unchanged    Risk decreasing

## Extra financial risks

### Risks in relation to climate change

#### Why we think this is important

Climate Change is one of the main challenges of this 21st century. Understanding and mitigating associated risks while contributing to fighting Global warming is crucial for ensuring sustainable business growth.

As a global player, the Group is subject to both Transitional and Physical risks arising from Climate Change, which may impact the Group's upstream supply chain, its own operations and customer expectations, potentially resulting in attractivity and productivity loss.

Transitional risks include for instance more stringent regulations on product manufacturing or carbon taxes, or reputational, technological and market risks for companies that do not meet the low carbon transition's challenge.

Physical risks comprise acute and chronic weather events such as typhoons or floods that may both cause harm to human lives and to properties.

#### How we are mitigating the risk




Altogether these risks are low and controlled and rather constitute opportunities for the Group as the solutions Schneider Electric brings to the market are directly linked to activities to mitigate, adapt to and improve resilience to climate change.

In a nutshell, Schneider Electric's response to climate change risks is to reduce its own impact and to offer products, services and solutions which help its customers to reduce their energy consumption and CO<sub>2</sub> emissions.

#### Changes during 2018

More details regarding risks and opportunities related to climate change can be found in chapter 2 (pages 89-90 and 120-140) and in Schneider Electric's 2018 CDP Climate Change response.

#### Key to symbols

 Risk increasing     Risk unchanged     Risk decreasing

## 7. Risk factors

### Extra financial risks

#### Other extra-financial risks

##### Why we think this is important

In addition to above-mentioned risks, other extra-financial risks have been identified through internal (Materiality matrix, Group's risk matrix) and external (List of Environmental, Social and Societal topics of the French Extra-Financial Performance Declaration; International organizations' standards and recommendations; extra-financial rating agencies and NGO risk analysis; Investors and clients' requests) sources. Main identified risks are: Gender Equity, Anti-corruption, Human Rights and Duty of Vigilance, Socially Responsible Investment. These are further described in chapter 2 (see overview pages 89-93 and in more details in each section of chapter 2).

##### How we are mitigating the risk

These are further described in chapter 2 (see overview pages 89-93 and in more details in each section of chapter 2).

##### Changes during 2018

These are further described in chapter 2 (see overview pages 89-93 and in more details in each section of chapter 2).

### Market risks

#### Interest rate risk

The Group is exposed to risks associated with the effect of changing interest rates in different countries

##### Why we think this is important

The total Group debt amounts €7.5 billion and the cash €2.4 billion.

Part of the debt and all the cash are exposed to fluctuations in interest rate risk in various currencies.

At December 31, 2018, 86% of the Group's gross debt was fixed rate and all the cash is exposed to fluctuation in interest rate.

A 1% increase in interest rates would have a positive impact of around EUR13 million on the Group's net financial expense.

##### How we are mitigating the risk

Interest rate risk on borrowings is managed at the Group level, based on consolidated debt and taking into consideration market conditions.




The main objective of the interest rate management policy is to optimize overall borrowing costs and aligned debt and cash flow by currency.

The financial instruments used to hedge the exposure of the Group to fluctuations in interest rates are described in Note 23 to the consolidated financial statements for the year ended December 31, 2018.

##### Changes during 2018

No significant change in 2018.

#### Key to symbols

 Risk increasing  Risk unchanged  Risk decreasing



## Market risks

### Currency exchange risk

The Group's international operations expose it to the risk of fluctuation of exchange rates

#### Why we think this is important

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.

The main exposure of the Group in terms of currency exchange risk is related to the US dollar, British pound, Chinese Yuan and currencies linked to the US dollar.

In 2018, revenue in foreign currencies amounted to EUR20.4 billion, including around EUR6.8 billion in US dollars and 3.4 billion in Chinese yuan.

The Group estimates that in the current structure of its operations, a 5% appreciation of the euro compared to the U.S Dollar would have a translation effect of minus 40 million on EBITA.

#### How we are mitigating the risk

The Group manages its exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates. Receivables and payables of our subsidiaries denominated in currency other than their functional currency are hedged primarily by means of forward purchases and sales.

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.

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.

The financial instruments used to hedge our exposure to fluctuations in exchange rates are described in note 23 to the consolidated financial statements for the year ended December 31, 2018 (Chapter 5).

#### Changes during 2018

No significant change in 2018.

## Market risks

### Equity risk

The Group's exposure is primarily related to treasury shares

#### Why we think this is important

Exposure to equity risk primarily relates to treasury shares but remains limited.




#### How we are mitigating the risk

The Group does not use any financial instruments to hedge these positions.

#### Changes during 2018

No significant change in 2018.

#### Key to symbols

 Risk increasing  Risk unchanged  Risk decreasing

## 7. Risk factors

### Market risks

#### Raw material exposure

The Group is exposed to fluctuations in energy and raw material prices

##### Why we think this is important

The group is mainly exposed to steel, copper, aluminum, silver, lead, nickel, zinc and plastics.

An increase in raw material prices could have negative consequences.

To preserve its results, the Group must be able to compensate, pass on the increase to its customers or to cover the exposure.

In 2018, purchases of raw materials totaled around EUR2.2 billion, including around EUR975 million for non-ferrous and precious metals, of which roughly 56% was for copper.

##### How we are mitigating the risk

The Group has 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. The Group enters into swap and options agreements intended to hedge all or part of its non-ferrous and precious metals purchases forecasts in order to limit the impact of price volatility of these raw materials on our results.

At December 31, 2018, the Group had hedged positions with a nominal value of EUR230 million on these transactions.

The financial instruments used to hedge our exposure to fluctuations in raw material prices are described in Note 23 to the consolidated financial statements for the year ended December 31, 2018.

##### Changes during 2018

No significant change in 2018.

### Market risks

#### Counterparty risk

##### Why we think this is important

The measurement and monitoring of the exposure on its partners is part of the group's policy in order to limit the counterparty risk inherent to our activity.

##### How we are mitigating the 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.

##### Changes during 2018

No significant change in 2018.

#### Key to symbols

 Risk increasing  Risk unchanged  Risk decreasing

## Market risks

### Liquidity risk

#### Why we think this is important

The financial crisis has shown the importance of access to liquidity.

#### How we are mitigating the risk

The Group liquidity must be measured by the Group's cash and cash equivalents and undrawn confirmed lines of credit. As of December 31, 2018, the Group had access to cash and cash equivalents totaling EUR2.4 billion. As of December 31, 2018, the Group had EUR2.7 billion in undrawn confirmed lines of credit maturing after December 2019.

The Group's credit rating enables it to raise significant long-term financing and attract a diverse investor base. The Group currently has an A-credit rating from Standard & Poor's and an Baa1 credit rating from Moody's. The Group's liabilities and their terms and conditions are described in note 22 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 facility 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, 2018, 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, 2018, EUR6.4 billion of the Group's financing and lines of credit had these types of provisions.

#### Changes during 2018

No significant change in 2018.

#### Key to symbols

 Risk increasing  Risk unchanged  Risk decreasing

## 7. Risk factors

### Legal risks

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

#### Why we think this is important

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. 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.

#### How we are mitigating the risk




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.

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.

#### Changes during 2018

No significant change in 2018.

#### Key to symbols

 Risk increasing  Risk unchanged  Risk decreasing

## Legal risks

### Risks related to products sold

#### Why we think this is important

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 equivalents of the Group. The business reputation of Schneider Electric could also be negatively impacted.




#### How we are mitigating the risk

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").

#### Changes during 2018

As part of its total quality monitoring process and following a suspicion of a manufacturing issue of a component, Schneider Electric has decided to launch in July 2018 a worldwide inspection campaign for some of its Air Circuit Breakers references rated for current between 800A to 6300A. The number of circuit breakers at stake is around 85,000 and any circuit breaker inspected and found affected by this issue will be immediately replaced. The whole upgrade process is planned to take 2 years and relevant accruals have been taken over this period. As per relevant regulations, this issue has been notified to the EU safety regulators through the Product Safety Business Alert Gateway.

#### Key to symbols

 Risk increasing     Risk unchanged     Risk decreasing

## 7. Risk factors

### Legal risks

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

#### Why we think this is important

The future success of Schneider Electric depends to a significant extent on the development and protection of patents, knowledge and trademarks ("intellectual property rights"). Should a third party infringe on the Group's intellectual property rights, the Group may have to expend significant resources monitoring, protecting and enforcing its rights. If we fail to protect or enforce our intellectual property rights, our competitive position could suffer, which could have a material adverse effect on our business. In addition, the unauthorized use of intellectual property rights remains difficult to control, particularly in foreign countries, whose laws do not always effectively ensure the protection of these rights. They could be counterfeited or used without the consent of Schneider Electric, which could also have a material adverse effect on our reputation and operating profit.




#### How we are mitigating the risk

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

#### Changes during 2018

No significant change in 2018.

#### Key to symbols

 Risk increasing  Risk unchanged  Risk decreasing

## Disputes

### Why we think this is important

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.

Schneider Electric was also among 2,000 companies worldwide which were mentioned in the Volcker report on the Oil for Food program published by the UN in October 2005. This report stated that the Group had entered into agreements with Iraqi state-owned entities between 2000 and 2004, under which surcharge payments totalling approximately USD 450,000 were alleged to have been made to the Iraqi Government. Schneider Electric Industries was indicted in France in 2010 in relation to this report, then referred in May 2013, along with 13 other French companies, to the criminal court, which rendered its decision on June 16, 2015, discharging all the companies.

Some Group entities worldwide, including in Brazil and Pakistan, have been 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.

### How we are mitigating the risk

Not applicable.

### Changes during 2018

Following the 13 year long proceedings, the plaintiffs' claims were entirely dismissed by the Brussels Court of Appeal. This decision was confirmed on September 19, 2018 by the Belgian Supreme Court ("Cour de Cassation"). As a consequence, this litigation has finally ended and there is no longer any provision for contingencies in relation to these proceedings.

The Bench appealed this decision. After hearings held in November 2018, the criminal chambers of Paris court of appeal overturned the favorable judgment of the criminal court for all the 14 indicted companies, thus relying on the decision issued by the court of cassation in March 2018 in the "oil" part of this "oil for food" matter where the court of cassation confirmed that TOTAL and other indicted person are to be found guilty for "corruption of foreign public officer.




However, the court of appeal acted with leniency in the determination of the sanction which is limited to only € 30K as a suspended sentence, with Schneider Electric Industries SAS being released from being listed in the French National criminal record.

Schneider Electric keeps waiting to know in more detail the merits and grounds of the judgment (not yet available) to decide whether to appeal this decision before the court of cassation.

For Pakistan, the case involves inherited and now discontinued local operations acquired from Areva. For Brazil, the matter with the Administrative Council for Economic Defense – (CADE) has been settled in 2018.

In addition, following allegations in a newspaper article issued on April 5, 2018 concerning the main actors in both the electrical distribution and manufacturing French industries, investigations were performed by the French police and anti-trust authorities at Schneider Electric's head office and other premises. Schneider Electric is cooperating fully and actively with the French authorities in their investigation.

#### Key to symbols

 Risk increasing     Risk unchanged     Risk decreasing

## 7. Risk factors

### Disputes

#### Why we think this is important

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.

#### How we are mitigating the risk

All such claims and issues such as contractual demands, counterfeiting, risk of bodily harm with a potential financial impact above € 200K are systematically reported in a "litigation report" under the accountability of the Legal & Insurance Department. This litigation report is consolidated and updated worldwide each quarter and presented and discussed with the Groups external auditors.

#### Changes during 2018

#### Key to symbols

 Risk increasing     Risk unchanged     Risk decreasing



## Insurance strategy

### Why we think this is important

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.

### How we are mitigating the risk

- We identify and analyze the impact of our main risks.
- In order to prevent risks and protect industrial equipment; we define protection standards for sites (including those that are managed by third parties) against the risk of fire and malicious intent, organize audits of the main sites by an independent loss prevention company and roll-out of a self-assessment questionnaire for the other Group sites.
- We draw up business continuity plans, in particular, for the Group main sites and critical suppliers.
- We implement crisis management tools with the Group's Security Department.
- We carry out hazard and vulnerability studies and safety management for people and equipment.
- We negotiate global insurance programs at the Group level for all subsidiaries with insurers meeting appropriate minimum credit ratings.
- We implement these global programs in countries where the group operates in compliance with local regulations through a network of international brokers.
- We optimize financing for high-frequency/low-severity risks through retentions managed either directly (deductibles) or through captive insurance companies.

### Liability insurance

The insurance program renewed on January 1, 2017 for a new period of 3 years was continued in 2018. This program, deployed in more than 75 countries, provides coverage and limits in line with the current size of the Group and its evolving risks and commitments.

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

### Property damage and business interruption insurance

The 3-year insurance program put in place as of July 1, 2016 was continued in 2018. This is an "all risks" policy which covers events that could affect Schneider Electric's property (including fire, explosion, natural disaster, machinery breakdown) as well as business interruption resulting from those risks.

Assets are insured at replacement value.

### Transport insurance

Risks of loss or damage to goods while in transit, including intragroup shipments are covered by a global insurance program implemented in January 1, 2017 for 2 years.




### 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 2018.

### 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.

#### Key to symbols

-  Risk increasing     Risk unchanged     Risk decreasing

## 7. Risk factors

### Insurance strategy

#### Self-insurance

To optimize costs, Schneider Electric self-insures certain high-frequency/low-severity risks through 2 captive insurance companies:




- a captive company based in Luxembourg provides mainly Property Damage and Transport reinsurance worldwide as well as Liability reinsurance outside the USA and Canada. The total amount retained for these risks is capped at EUR20 million per year;
- for the entities located in the USA and Canada, a captive insurance company based in Vermont (USA) is used to standardize deductibles for general/products/professional liability, workers' compensation and automobile liability. These retentions range from USD1 million to USD5 million per claim, depending on the risk. An actuary validates the provisions recorded by the captive company each year.

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

#### Cost of insurance programs

The cost (including tax) of the Group's main global insurance programs, excluding premiums paid to captives, totaled around EUR20 million in 2018.

#### Key to symbols

 Risk increasing    Risk unchanged    Risk decreasing



# Sustainable development

# 2

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## Sustainable development at the heart of our strategy

# 1. Sustainable development at the heart of our strategy

### Unprecedented global challenges

In this 21st century, humanity is facing the most daunting challenge in its history: the need to radically transform its economic growth model in less than 30 years or face catastrophic changes to its ecosystem. While global GHG emissions continue to grow<sup>(1)</sup>, the devastating effects of these changes are already being felt: an increase in the frequency and magnitude of extreme climate events, melting glaciers, disappearing coral reefs, and so on; added to this is the alarming loss of biodiversity.

Resolutely determined to contribute to the United Nations' 17 Sustainable Development Goals (SDG), Schneider Electric provides innovative solutions to overcome the energy paradox: balancing the need to reduce the planet's carbon footprint with the inalienable human right to quality energy.

Schneider Electric has made strong climate commitments for its entire ecosystem, ranging from helping its suppliers to reducing the emissions of its customers, as well as an ambitious action plan on its own operational scope. The Group's ecosystem also comprises the 1.1 billion people – 1 out of 6 people on this planet – who do not have access to electricity. Access to energy is a basic human right. The Group develops inclusive business models and creates solutions to supply clean, safe and reliable energy to such people. The Group also contributes to the fight against fuel poverty in mature economies.

Schneider Electric seeks to make this necessary low-carbon energy transition a fair transition. That is why it has placed social and societal challenges at the very top of its agenda, for the personal fulfillment of its employees and for compliance with its values by its partners.

### A strategy serving energy transition and climate technologies

The Group performs regular assessments of the direct and indirect risks and opportunities linked to climate change challenges. As part of its Extra-Financial Performance Declaration, the Group presents the main risks and opportunities identified with respect to major societal challenges (see pages 87-94).

Schneider Electric is strategically positioned to capitalize on these challenges, while the associated risks are low and controlled. As a global specialist in the digital transformation of energy management and automation, the Group places its expertise and solutions at the service of its customers to ensure that energy is safe, reliable, efficient, connected and sustainable. The Group proposes an integrated offering of technologies and market-leading solutions tailored to customer needs, promoting the transition toward more electric, digital, decarbonized, and decentralized energy.

Schneider Electric's response is to reduce its own impact and to offer products, services and solutions which help its customers reduce their energy consumption and CO<sub>2</sub> emissions. The solutions Schneider Electric brings to the market are directly linked to activities to mitigate, adapt to and improve humanity's resilience to climate change, such as:

- smart energy management systems, centralized on its EcoStruxure™ platform;
- energy efficiency offerings which reduce customers' carbon footprint;
- technologies and solutions for Smart Districts and Smart Grids;
- renewable energy management offerings;
- solutions to help underprivileged populations access clean, safe and reliable energy;
- assistance for its customers in their low-carbon transition via Energy and Sustainability Services.

The numerous awards received each year by Schneider Electric and its leadership in the main ESG indices confirm that the Group is headed in the right direction (see pages 104-105). To further improve its best social and environmental practices, the Group has joined the United Nations Global Compact LEAD group and its "Pathways to Low-Carbon & Resilient Development" and "Decent Work in Global Supply Chains" working groups.

(1) UN Emissions gap report 2018, [http://wedocs.unep.org/bitstream/handle/20.500.11822/26895/EGR2018\\_FullReport\\_EN.pdf?sequence=1&isAllowed=y](http://wedocs.unep.org/bitstream/handle/20.500.11822/26895/EGR2018_FullReport_EN.pdf?sequence=1&isAllowed=y).

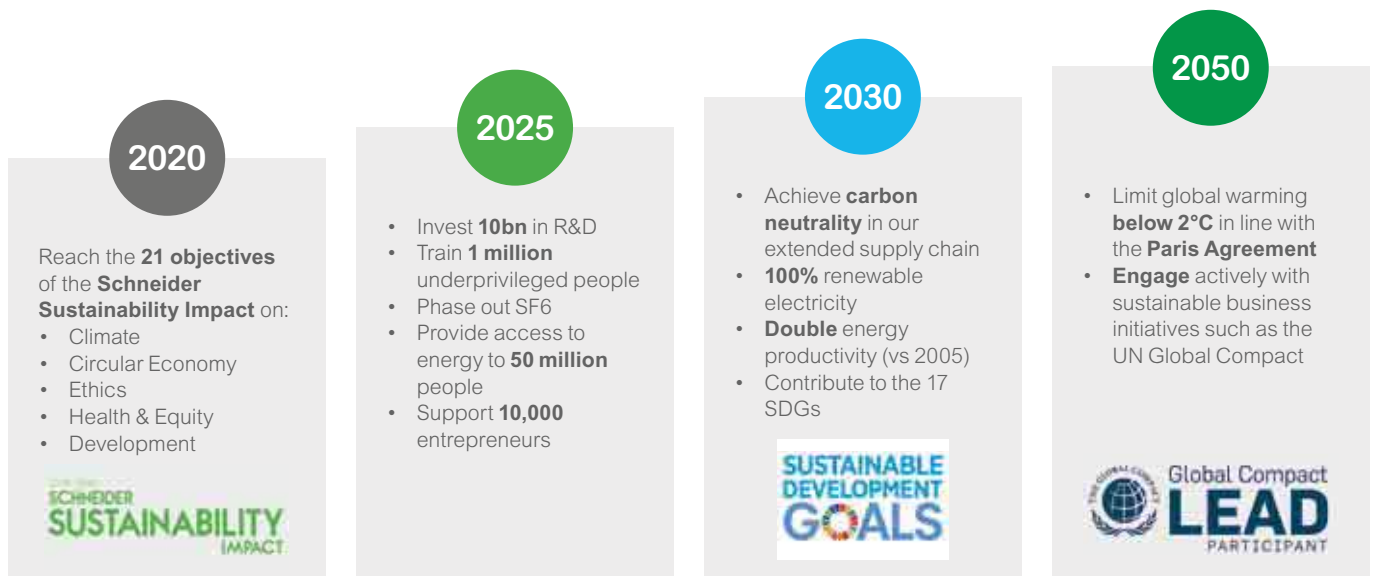
### Long-term corporate commitment for sustainability with short-and medium-term objectives

For Schneider Electric, sustainability is a tangible growth pillar which encompasses the continuous improvement of cross-functional (environmental, ethical, social and economic) issues across its entire value chain and its stakeholders. Therefore, naturally, the Group's sustainability process is hardwired into its strategy. This process is built around five major challenges identified by its materiality matrix:

- Climate
- Circular economy
- Health and equity
- Ethics
- Development

These five trends are the pillars supporting the Group's roadmap in the short, medium and long term.

1. **From 2018 to 2020**, with the new Schneider Sustainability Impact, Schneider Electric undertakes to reach 21 new commitments;
2. **by 2025**, facilitate access to lighting and communication with low-carbon solutions for 50 million underprivileged people (2009-2025); stop using SF<sub>6</sub> gas in its products (2015-2025); invest EUR 10 billion in innovation and R&D for sustainability in 10 years (2015-2025);
3. **by 2030**, achieve carbon neutrality by reducing the carbon emissions of its sites as well as those of its industrial ecosystem including its suppliers and customers, continue to quantify the CO<sub>2</sub> emissions avoided by its customers thanks to its offerings, reach 100% renewable electricity (RE100 initiative), 100% recycled or certified packaging, 100% recycled waste, and double its energy productivity compared to 2005 (EP100 initiative);
4. **by 2050**, on scopes 1 and 2, reduce its CO<sub>2</sub> emissions by more than 60% in absolute value compared to 2017, in line with the strategic roadmaps of the Science-based targets;



Sustainable development at the heart of our strategy

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

Life Is On



# 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 60% absolute CO<sub>2</sub> reduction by 2050 compared to 2017, and is committed to developing science-based targets by end-2018.

**SDGs:** 7 9 11 12 13 17

#### Circular economy

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

**SDGs:** 6 8 9 12 13 14 15 17

#### Ethics

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

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

#### Health & Equity

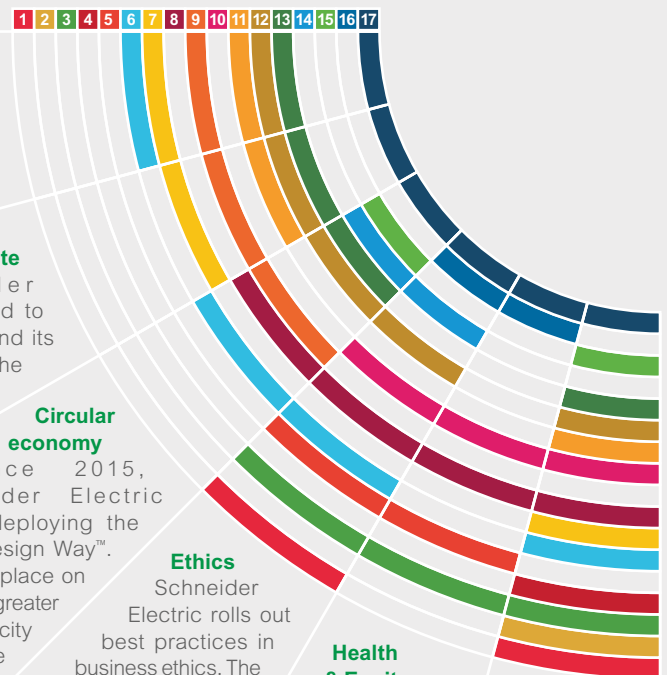
Since 2015, a global employee well-being program has been deployed. It takes a holistic view of well-being including the 4 dimensions: Physical, Mental, Emotional and Social. In addition, the Group deploys an operating gender pay equity plan in all countries.

**SDGs:** 3 5 8 10 16 17

#### Development

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

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





## 1.1: Evaluation of the main non-financial risks and opportunities created

### Evaluation methodology

In order to compile the list of the main non-financial risks for the Group, a panel of both internal and external tools is used to address the expectations of our stakeholders as best as possible.

Internal tools:

- See detailed materiality matrix on page 88
- Internal audit risks matrix

External signals:

- Regulatory framework: the key topics of the French Extra-Financial Performance Declaration
- International institutions / organizations (UN Global compact & SDG)
- Non-financial & NGO rating agencies
- Specific requests from our investors and customers

The analysis covers the entire value chain of the Group and its stakeholders: suppliers and subcontractors, transactions, customers, as well as its scope extending to the activities at its foundation, on cross-functional, environmental, social and societal topics, human rights and anti-corruption.

Each topic is monitored by the relevant departments and their management, which are in charge of proper risk assessments and the implementation of mitigation and prevention actions. The main departments and managers are:

- Safety, Environment, and Buildings and the Global SVP
- Human Resources and the Chief Human Resources Officer
- Sustainability and the Chief Sustainability Officer
- Procurement and the Chief Procurement Officer

The main identified risks are then reviewed and validated by these departments, and by the Board of Directors' secretariat, Internal Audit, and presented to the HR and CSR Committee and to the Sustainability Executive Committee.

Eight main non-financial risks were identified and are presented in detail on pages 89-93: Circular economy and environmental regulations, climate, health and safety at work, recruitment and skills, gender equity, anti-corruption, human rights and duty of vigilance, and socially responsible investments.

The risks linked to privacy and data security and to consumer health and safety, identified by our materiality matrix, were not retained as "CSR" risks but as business risks and are therefore described in chapter 1 pages 68 and 75-76. Additionally, risks arising from the sourcing of critical materials, identified by the industry standard SASB on Electrical & Electronic Equipment, are also discussed under our business risks section in chapter 1, page 72.

## Sustainable development at the heart of our strategy

### Materiality analysis

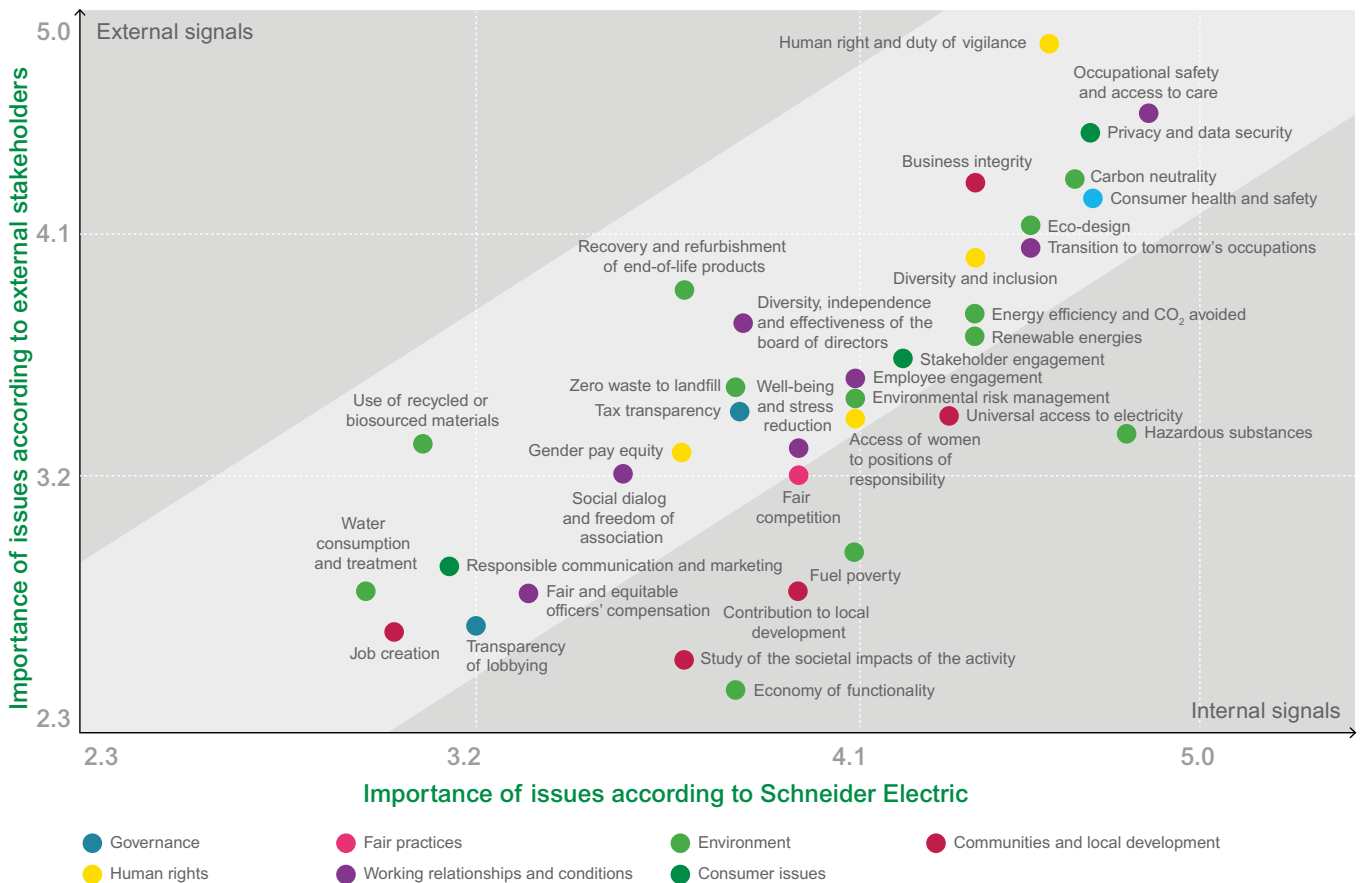
In 2017, Schneider Electric renewed its materiality analysis<sup>(1)</sup> by questioning external stakeholders (e.g. customers, suppliers, international organizations, trade associations, experts, shareholders, members of the Board of Directors, etc.) and top and senior managers within the Group (strategy, country presidents, safety/environment/real estate, businesses and services, human resources, industrial design, IoT and digital transformation, European labor councils, etc.). The participants represented five nationalities; 32% of the respondents were women, 68% were men. Participants were asked to assess the significance of each issue according to a quantitative scoring scale, and then were interviewed for qualitative evaluation and justification of the given scores. This made it possible to adjust the averages so as to obtain a more representative matrix of the interviewees' intentions. These interviews also enabled Schneider Electric to consolidate the relationship with its stakeholders and learn about their expectations. Beforehand, the challenges were defined using a study of the sector's stakes (analysis of the different CSR guidelines, sector benchmarks, etc.) and a comparison with the 2013 materiality analysis. With the help of consulting firm B&L Evolution, the aim is to ensure that Schneider Electric reports on the most important economic, social and environmental challenges; identifies current and future opportunities and risks for the business; and updates its sustainability agenda with key stakeholders' expectations. In particular, the materiality matrix was one of the sources used to design the 2018-2020 Schneider Sustainability Impact and to confirm the topics to be addressed in the Registration Document.

### Key learnings

The materiality matrix below displays the results of the analysis. The external and internal visions of the challenges are generally aligned. Challenges related to governance and communities and local development are generally less material than challenges related to human rights, consumers, working conditions and relationships, fair practices or the environment. Six challenges are defined as crucial: human rights and duty of vigilance, data security and privacy, business integrity, workplace safety and access to health care, and carbon neutrality.

The 2018 registration document, Schneider Electric's commitments for the climate (see pages 84-85) and finally the 2018-2020 Schneider Sustainability Impact cover all these priority challenges through Group policies, improvement plans, indicators, and short-or long-term goals.

For further details, please visit the schneider Electric website.



(1) Definition is based on AA 1000 Assurance Standard's materiality principle as well as the Standard GRI strategic roadmap.

Following its assessment of material risks, Schneider Electric presents below its main extra-financial risks and opportunities.

Risk description	Risk impact	Policies	Due diligence & results	Performance	Opportunity created
<b>Environment</b>					
Environment – Circular Economy					
Volatile prices and resource availability	Cost increase of primary resources; Disruption of supply	Circular resources	100% cardboard and pallet for transport packing from recycled or certified sources by 2020;  Raw material cost productivity and hedging strategy; +100% increase of recycled plastics in purchases by 2025	62% cardboards/pallets from recycled/certified sources in 2018	Lean, agile, efficient manufacturing processes
Safety risk if assets handled by non-certified 3 <sup>rd</sup> parties (repair, end of life)	Health & Safety impact; Reputation impact	Circular offers: ECOFIT™, and take-back schemes (EOL, etc.); End of Life information for our products with Green Premium	100K tonnes of avoided primary resource consumption through ECOFIT™, recycling and take-back programs by 2020	~43k tonnes avoided in 2018	Market growth for Schneider Electric circular offers (repair, retrofit, take-back, EOL)
Strengthening of waste regulation	Increased costs of waste treatment; Reputation impact	Circular Supply Chain: Waste as Worth	200 sites "Towards Zero Waste to Landfill" by 2020	178 sites "Towards Zero Waste to Landfill" in 2018	Industrial waste monetization
Strengthening of circular economy regulation (on product lifecycle)	Circularity concept reduced to waste recycling, forgetting lifetime, reparability and serviceability;  Horizontal regulations not taking product specificity into account	Circular economy strategy	Participation in multi-stakeholder panels (FREC, MIIT China, GIMELEC, FIEEC, IGNES, ORGALIME);  Circularity in EcoDesign Way™ for product lifetime, reparability and serviceability	This risk is more qualitative stressing that circularity is not only waste recycling but also serviceability, upgradeability etc.	Awareness that circularity has to be product and sector specific, Incorporation of recycled materials in products all the same
Environment – Chemical substances					
Strengthening of chemical substance regulation	Multiplication of uncoordinated regional legislation, with different requirements	Substances & Material Directive; Green Premium Program: REACh, RoHS, China RoHS, CA Prop. 65	75% of Sales achieved with Green Premium by 2020;  Chemical substitution; Deployment of REACh o5a "once an article, always an article"; Extended transparency	+45% of Product sales achieved end of 2018	Market opportunity for Green Premium offers
Environment – Pollution prevention and control					
Soil, water, and air contaminations in Schneider Electric sites	Non-compliance findings from public authorities and fines  Health impacts in personnel in our sites  Site property pollution and environmental provisions	Environment Policy	IMS (Integrated Management System) with ISO 14001 certification  Environmental risk analysis  CLEARR  Environment due diligence in M&A	263 sites certified ISO 14001 in 2018  100% Global Supply Chain factories with CLEAR assessment	Robust management system to drive environmental performance

Sustainable development at the heart of our strategy

Risk description	Risk impact	Policies	Due diligence & results	Performance	Opportunity created
<b>Climate</b>					
Climate Change mitigation					
<p>Volatile energy prices, rising carbon prices;</p> <p>Climate and energy regulation strengthening</p>	<p>Energy cost increase;</p> <p>Cost increase of purchased goods and services</p>	<p>Energy Policy;</p> <p>Schneider Energy Action &amp; Smart Factory</p>	<p>10% energy efficiency target in 2020 v/s 2017;</p> <p>Digital energy management in our sites with EcoStruxure;</p> <p>10% CO<sub>2</sub> savings in transport</p>	<p>3.5% energy efficiency in 2018</p> <p>+ 1.8% CO<sub>2</sub> emissions in transport in 2018</p>	<p>Market growth for Schneider Electric energy efficiency offers;</p> <p>Showcase of EcoStruxure in our sites</p>
<p>Evolution of energy mix, phase-out of fossil fuels</p>	<p>Electric power outage and power quality;</p> <p>Energy cost increase</p>	<p>Renewable Strategy</p>	<p>80% renewable electricity target by 2020</p>	<p>30% renewable electricity in 2018</p>	<p>Market growth for Schneider Electric renewable offers</p>
<p>Growth of energy demand from IT and IoT</p>	<p>IT cost increase;</p> <p>Reputation impact</p>	<p>Green IT/OT</p>	<p>WeGreenIT study;</p> <p>Data center optimization;</p> <p>Application landscape rationalization;</p> <p>Hardware asset management</p>		<p>Digitization and IoT are enablers of the energy transition</p> <p>Lean IT/OT architectures</p>
<p>SF6 regulation strengthening</p>	<p>Phase-out of SF6 in products and production processes;</p> <p>SF6 cost increase (tax)</p>	<p>SF6 Strategy</p>	<p>0.25% SF6 leaks target in 2020 in manufacturing process;</p> <p>Eliminate SF6 from our products in 10 years</p>	<p>0.26% SF6 leaks in 2018 in manufacturing process</p>	<p>Disruptive innovation</p>
Climate Change adaptation					
<p>Increased frequency and severity of weather events</p>	<p>Damage to property and assets;</p> <p>Supply disruption</p>	<p>Business Continuity &amp; Risk Management;</p> <p>Insurance policy</p>	<p>Weather risks part of Business Continuity &amp; Risk Management program, leading to preventive investment to secure assets</p>		<p>Business continuity expertise extended to critical suppliers</p>
<p>Water scarcity</p>	<p>Water availability</p>	<p>Water stewardship</p>	<p>Water scarcity risk mapping</p> <p>Water intensity reduction of 5% in 2020</p>	<p>23 m<sup>3</sup>/head on average in 2018</p>	
<b>Health and Safety at work</b>					
<p>Not providing ideal working conditions to collaborators could create a risk of not being able to attract and retain best talent on the market</p>	<p>Absenteeism;</p> <p>Cost of turnover;</p> <p>Disengagement;</p> <p>Branding – company image on the market</p>	<p>Employee Value Proposition;</p> <p>Global Family Leave Policy;</p> <p>Pay Equity;</p> <p>Global Anti-Harassment Policy;</p> <p>Career Development and Learning;</p> <p>Flexibility@Work guidelines;</p> <p>Well being practices</p>	<p>100% of employees are working in countries that have fully deployed our Family Leave Policy by 2020;</p> <p>90% of employees have access to a comprehensive Well-Being at work program (including access to medical coverage and well-being training) by 2020</p>	<p>In 2018, 75% of employees are working in countries that have fully deployed our Family Leave Policy;</p> <p>20% of employees have access to a comprehensive well-being at work program</p>	<p>Schneider Electric is well recognized as an attractive employer</p>

Risk description	Risk impact	Policies	Due diligence & results	Performance	Opportunity created
<b>Health and Safety at work</b>					
Risk of having disengaged employees feeling that their opinion is not taken into account which could impact the financial results of the Group	Most employees are taking the OneVoice survey, the most representative will be the qualitative and quantitative results and verbatim. We walk the talk to fit with our continuous listening strategy	Continuous listening strategy, employee-centricity. Gives the opportunity to our employees to share their opinion and is key to be agile in the way we are driving organizations	1 global survey surveying 100% of our employees once per year + design and launch of pulse survey targeting populations for whom attention is needed (return from maternity leave, results dropping down) + verbatim deeper analysis	+2 points of Employee Engagement Index in 2018	Improved employee engagement leading to greater performance
Serious/fatal employee injury/illness	Loss of or impact to employee; Loss productivity; Property damage; Impact to Company image/ customer confidence; Citation/fines	Safety Strategy; Global safety directives	Serious Incident Investigation Process (SIIP); KPIs; GlobES reporting; Global Safety Alerts; EHS Assessment	2018 MIR = 0.94 See other safety KPIs pages 191-192	Absolute requirement Global Action Plan
Legal nonconformance	Loss productivity Impact to Company image/customer confidence Citation/fines	Safety Strategy Global safety directives	Global EHS Alert EHS Assessment	See safety KPIs pages 191-192	Absolute requirement Global Action Plan
<b>Human Resources</b>					
Human resources – Recruitment and competencies					
Risk of not attracting and retaining the best talent in the market	Cost of recruiting and onboarding Impact of talent's brand perception	Go Green in the City Program Open Talent Market New Employee Value Proposition (EVP)	Go Green in the City New tool to support internal mobility piloted New EVP launched as part of the company-wide People Vision	Go Green in the City 2018 witnessed 24 018 registrations and 2 840 students who submitted ideas. 2 Global Winners will be put into hiring interview process in 2019 Internal mobility increased from 40% (2017) to 63% (2018) New EVP –Glassdoor rating increased from 3.7 (end 2017) to 3.8 (end 2018)	Increase in brand awareness, talent market share and reduction in employee turnover
Risk of not being compliant with new hire regulations	Delivery of negative onboarding experience increases turnover risk Risk of local citations/fines	Deployment of a global onboarding platform and process	Plug-in learning corner adoption rate	First impression of new hires: 70% (2016) to 83.1% (2018) Overall onboarding experience of new hires: 69% (2016) to 88.2% (2018) Plug-in learning corner adoption rate: 35% (2016) to 85% (2018)	Reduction of turnover of new hires

Sustainable development at the heart of our strategy

Risk description	Risk impact	Policies	Due diligence & results	Performance	Opportunity created
<b>Human Resources</b>					
Human Resources – Gender Equity					
Risk of not providing equal opportunities to everyone and impacting ability to attract and retain the best talent on the market	Cost of Turnover, Loss of Women in Top Potential Pipeline, Legal issues, Brand/Company Image	Recruitment of women	40% of new hires are women by 2020	In 2018, 39% of new hires were women	People attraction and retention with equal opportunities for everyone
		Women Representation in Leadership roles	30% of top positions are women by 2020	At end of 2018, 21.6% of top positions are women	
		Women in leadership	# of women attended program since inception	Over 700 women have attended the program since inception of program	
		Gender Pay Equity	95% of employees covered under the pay equity framework by 2020	In 2018, 92% of employees are working in a country commitment and process in place to achieve gender pay equity	
		Executive-level governance body to drive gender equality across Schneider	Diversity & Inclusion Board, sponsored by 2 Executive Committee members and consists of 12 board members from different entities and geographies	The Diversity & Inclusion board met 4 times in 2018	
<b>Anti-Corruption</b>					
Corruption is the abuse of entrusted power for private gain. It can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs. It may occur through third parties' activities (partners, suppliers, agents, companies to be acquired)	Reputation impacts; Legal Impact; Financial impact Impact on the development of the company; Impact on the employer brand	Principles of Responsibility; Global Anti-Corruption Policy; Anti-Corruption Code of Conduct; Gift & Hospitality Policy; Business Agents Policy	ISO37001 certifications Red and Green line alert systems Specific risks map for anti-corruption 100% of sales, procurement, and finance employees trained every year on anti-corruption	ISO37001 Certifications on Middle East entities 328 alerts received in 2018 68,6% of sales, procurement, and finance employees have been trained on anti-corruption in 2018	More opportunities with actual and potential customers People attraction and retention Sustainable business development

Risk description	Risk impact	Policies	Due diligence & results	Performance	Opportunity created
<b>Duty of vigilance &amp; Human Rights</b>					
Violations of human rights and fundamental freedoms, serious bodily injury, environmental damage, or health and safety risks in supply chain	Reputation impacts; Legal impacts; Health & Safety of suppliers, SE employees, customers; Environmental pollution	Duty of Vigilance with suppliers & subcontractors, leveraging RBA membership	EEHS risk mapping of suppliers Onsite supplier audits with RBA protocol; EEHS in procurement process (code of conduct, supplier qualification, performance review, etc.); Continuous improvement with ISO26000 standard; Training; GreenLine Alert system	155 onsite supplier audits in 2018 68.6% training on anticorruption +1.80 points supplier sustainability performance	Collaboration strengthening with suppliers
		Conflict minerals compliance program	Conflict-free mineral monitoring	At the end of 2018, the Group confirmed that more than 80% of the relevant purchases are "conflict-free". The remainder are still under analysis, mainly due to the number of lower-ranking suppliers who are themselves in the process of developing this initiative	Collaboration strengthening with suppliers, improved reputation
		Duty of vigilance with our customers	GreenLine Alert system; EEHS due diligence in projects	2 alerts reported with the Green Line in 2018	Collaboration strengthening with customers
<b>Socially Responsible Investing</b>					
Not attracting investors looking to invest in sustainable companies	Reputational impact Market share value	Transparent and public reporting on sustainability objectives and performance Engagement with stakeholders to identify critical sustainability topics	Schneider Sustainability Impact program Inclusion in main ESG indices and top-ranking recognition	SSI score of 6.10/10 in 2018 Numerous leadership positions in ESG indices & external recognitions	Greater attractivity to investors and strengthened partnership with clients, suppliers and other partners in the Group's ecosystem

Sustainable development at the heart of our strategy

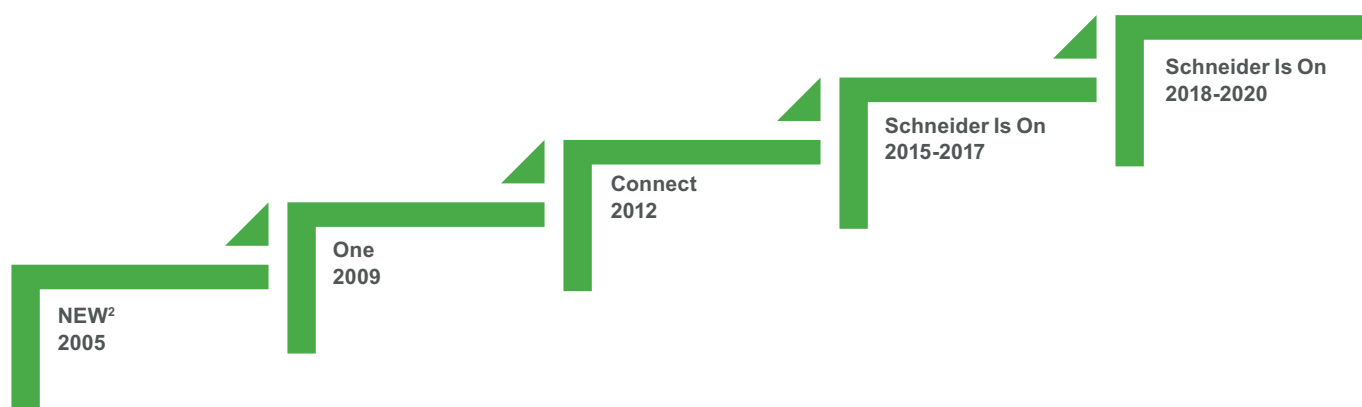
1.2: The Schneider Sustainability Impact, a regular and objective measure of the Group's actions

Megatrend	Indicator	Results 2017	Results 2018	2020 Goals
Climate	80% renewable electricity	–	<b>30% ▲</b>	80%
	10% CO <sub>2</sub> efficiency in transportation	–	<b>(1.8%) ▲</b>	10%
	100 million metric tons CO <sub>2</sub> saved on our customers' end thanks to our EcoStruxure offers	–	<b>51 ▲</b>	100
	25% increase in turnover for our <i>Energy &amp; Sustainability Services</i>	–	<b>13.8% ▲</b>	25%
Circular economy	75% of sales under our new <i>Green Premium program</i>	38.3%	<b>45.7% ▲</b>	75%
	200 sites labeled towards zero waste to landfill	140	<b>178 ▲</b>	200
	100% cardboard and pallets for transport packing from recycled or certified sources	50%	<b>61.6% ▲</b>	100%
	100,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling and take-back programs	–	<b>43,572 ▲</b>	100,000
Health and safety	70% scored in our <i>Employee Engagement Index</i>	65%	<b>67% ▲</b>	70%
	1 medical incident per million hours worked	1.15	<b>0.94 ▲</b>	1
	90% of employees have access to a comprehensive well-being at work program	13%	<b>20% ▲</b>	90%
	100% of employees are working in countries that have fully deployed our Family Leave policy	–	<b>75% ▲</b>	100%
	100% of workers are doing at least 12 hours of learning in the year, and 30% of the workers' learning hours are done digitally	–	<b>57% ▲</b>	100%
	90% of white collars have individual development plans	32%	<b>78% ▲</b>	90%
Ethics	95% of employees are working in a country with commitment and process in place to achieve gender pay equity	89%	<b>92% ▲</b>	95%
	5 pts /100 increase in average score of ISO26000 assessment for our strategic suppliers	–	<b>1.80 ▲</b>	5
	300 suppliers under Human Rights & Environment vigilance received specific on-site assessment	–	<b>155 ▲</b>	300
	100% of sales, procurement, and finance employees trained every year on anti-corruption	–	<b>68.6% ▲</b>	100%
Development	x4 turnover of our Access to Energy program	–	<b>X1.31 ▲</b>	X4
	350,000 underprivileged people trained in energy management	148,145	<b>196,162 ▲</b>	350,000
	12,000 volunteering days thanks to our VolunteerIn global platform	–	<b>5,691 ▲</b>	12,000

The 2017 performance serves as a baseline for the 2018-2020 Schneider Sustainability Impact.

▲ 2018 audited monitoring systems.

A single, specific sustainability performance monitoring tool since 2005



A constant factor in the assessment of the group's sustainability performance.



To have a significant impact and initiate lasting change, performance must be measured, although there is no recognized standard that defines an organization's sustainability performance. That is why Schneider Electric defines specific objectives and measures its results each quarter since 2005 in a dashboard commonly referred to as a "barometer". Since 2018-2020, this barometer has been renamed Schneider Sustainability Impact (SSI). The action plans of the SSI are carried out at Group level. Schneider Electric uses this tool to address its sustainability challenges and to improve each of the pillars of its strategy identified through its materiality matrix. The barometer uses a scoring scale of 10 and provides an overall measure of the Group's progress on sustainability issues.

Each barometer seeks to:

- **mobilize** the whole company around sustainability goals (ethics, social, environmental and business);
- **share** the Group's improvement plans with stakeholders.

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

### Process to select and prioritize commitments



#### Analysis of material challenges

Every three years and as part of the company's programs, the Group defines a new dashboard in the wake of an exercise to identify sustainability challenges on the basis of external and internal contributions.

Each barometer is thus one of the indicators of Schneider Electric's company program, which sets the Group's strategic priorities.

The voices of each stakeholder are thus taken into account *via* the Group's materiality matrices, meetings with SRI investors, the questionnaires from rating agencies or from customers, which all shed light on our strategic points of differentiation and on the salient societal concerns.

#### Definition of key performance indicators

For each target and indicator, and this is a critical point for the operational implementation of each barometer, the ambition is defined in consultation with the departments concerned. For the Group, it is a guarantee of strong mobilization in the field that is consistent with actual priorities; for teams, it is the assurance of having the necessary means and visibility to improve. In each new period, the barometer update takes into account results obtained, progress still expected, the emergence of new topics and new priorities, and the experience gained. Thus, it is a powerful tool to move the Group forward on its major challenges.

Four scenarios may emerge from one barometer to the next:

- improvement plans are maintained in the barometer and their targets are renewed or increased;
- improvement plans change, new and more innovative or better-adapted indicators that cover the same subject are implemented; old indicators continue to be monitored internally if necessary;
- improvement 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;
- improvement plans to address new challenges are implemented.

#### Governance and validation of the barometer

The Sustainability Department presents a draft version of the new barometer to the Board of Directors' HR and CSR Committee, to the European Works Council, and to the Sustainability Executive Committee for validation. This latter committee includes four members of the Executive Committee: Strategy, Human Resources, Global Supply Chain and Marketing. The new barometer is then approved by the CEO.

Quarterly results are supervised by the Sustainability Executive Committee, which makes decisions on any corrective actions that may be necessary to reach objectives. This committee meets twice a year. The HR and CSR committee within the Board of Directors conducts an annual review of the Group's sustainability policy, analyzing in particular the performance of the barometer.

Non-financial annual results are presented together with financial results by Jean-Pascal Tricoire, Chairman and CEO of Schneider Electric, in order to demonstrate the Group's commitment to making sustainability part of the Company's long-term strategy. In addition, since 2014, quarterly results have been presented together with quarterly financial information by Emmanuel Babeau, Deputy CEO and CFO, to institutional investors.

#### A key component of the variable compensation of the Group's employees

The barometer score is included in the variable compensation of Global Functions and company leaders (7,550 people), in the profit-sharing incentive of 32 French entities (17,000 people), and in the long-term incentive plans (2,300 people). The barometer's indicators are generally part of the variable compensation of the teams in charge of them.

## Sustainable development at the heart of our strategy

### Active communication of sustainability performance

The results of each barometer are broadcast through the main channels below:

- quarterly conference calls on the Group’s financial and non-financial results to investors and the business press;
- the Group’s website (quarterly press releases, presentation of integrated quarterly results);
- the Intranet (including a quarterly internal video featuring the CEO and the CFO on the quarter’s results – these videos have strong internal visibility);
- the “Webradios”, which inform the Sustainability Fellows (see page 98) about performance and achievements for the quarter and provide an update on key sustainability topics;
- communications with the Board of Directors *via* its HR and CSR committee and the Executive Committee;
- the Group’s Annual Reports (Registration Document including the statutory auditors’ report, Strategy and Sustainability Report, Integrated Report);
- the quarterly internal rating for managers on monitoring the level of achievement of objectives related to variable compensation;
- at events for clients or investors just like our activities and product demonstrations.

### A reliable and verified tool

Since 2005, the barometer has become an incentive to take actions, since it represents a binding commitment for Schneider Electric to itself and to its stakeholders. It creates a dynamic of continuous improvement and innovation that is particularly virtuous for the Group in its mission to help keep global warming under a 2°C limit and reduce the energy gap, ethically and responsibly.

The tool also enables Schneider Electric to anticipate and effectively manage its sustainability risks and opportunities by mobilizing key stakeholders around specific, measured objectives and reliable results. The barometer’s monitoring systems are audited annually by an external auditor (limited assurance).

### Introduction of Schneider Sustainability Impact

For each of its five major challenges (Climate, Circular Economy, Ethics, Health and Equity, Development), Schneider Electric sets ambitious objectives, which will require the Group to improve each year.

The 2018-2020 Schneider Sustainability Impact (SSI) is written into the 2015-2020 corporate program and includes 21 key performance indicators. Once each performance is converted into a score based on 10, the average of these scores indicates the overall performance of the SSI, with all the indicators having the same weight. Departments directly affected by the improvement 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 table page 94 shows Schneider Electric’s sustainability performance in 2018. When the SSI was launched on January 1, 2018, the global rating was 3.00/10. At the end of 2018, it exceeded its target of 5/10 and attained 6.10/10.

## 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<sup>(1)</sup>, the French trade association for electrical equipment, automation and related services.

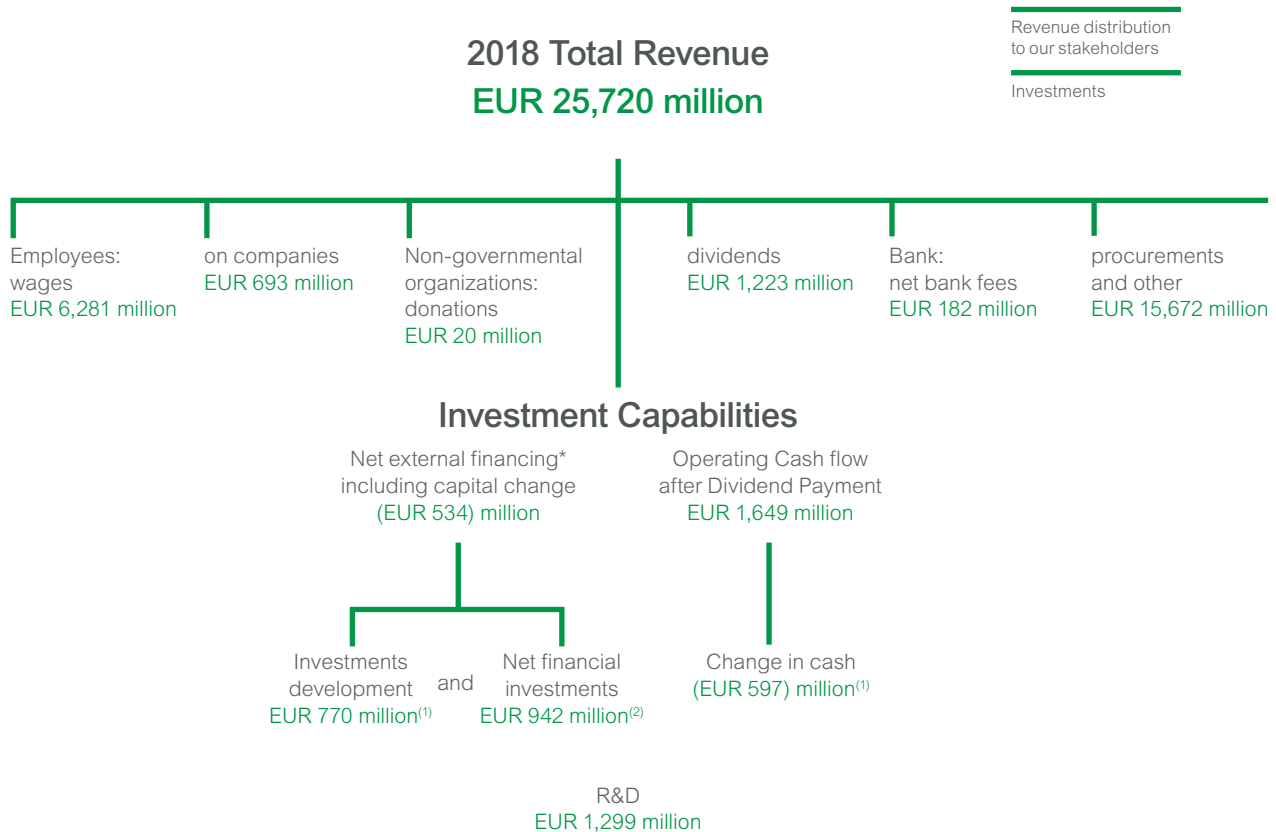


(1) Source: CSR sector reporting guide, 2017.

Schneider Electric engages in an open and continuous dialog with each of its stakeholders. In particular, the Sustainability Department takes into account the comments, ratings and evaluations from stakeholders on the Group's Sustainability policy and programs. This feedback is integrated into the drawing up of the Registration Document, the Group corporate brochure (Strategy and Sustainability report), the Integrated Report, and new improvement plans throughout the Company program as well as during the design of the Schneider Sustainability Impact every three years.

### Revenue breakdown

Every year for the last 13 years, Schneider Electric has published a diagram showing its revenue distribution for its various stakeholders. This exercise allows the importance of each stakeholder to be highlighted from the point of view of financial flows and shows their share in this flow.



\* Borrowings, capital increases and treasury stock disposals.

<sup>(1)</sup> Of which EUR 315 million in R&D.

<sup>(2)</sup> Of which EUR 174 million for long term pension assets.

## Sustainable development at the heart of our strategy

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

Stakeholder	Dialog	Department
<b>Customers</b>	Quarterly customer satisfaction surveys Co-innovation programs Online publication of environmental information on products	Quality, Customer Satisfaction, R&D, Sales, EcoDesign
<b>Financial</b>	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, Sustainability
<b>Partners</b>	Purchaser/Supplier Meetings Supplier's day Supplier qualification process Awareness-raising about the Global Compact and ISO 26000 Participation in commissions and work groups on the sustainability of professional groups	Procurement, Environment, R&D, Activities Sustainability
<b>Social</b>	Half-yearly employee satisfaction surveys Social dialog with employee representation bodies Sustainability Webradios	Human Resources, Sustainability
<b>Technical</b>	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
<b>Institutional</b>	Adhesion to and promotion of the Global Compact Relationships with public authorities, legislators and the European Commission, especially in the field of energy efficiency	Sustainability, Purchases, Influence
<b>Civil society</b>	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 sustainability: The Sustainability Fellows community

Schneider Electric believes that all of its employees should be aware of the major sustainability issues and be ambassadors of its sustainability commitment. To achieve this goal, an initiative was launched in 2013: The *Sustainability Fellows*. Relying on the internal social network, the community's objective is to make all employees aware of what sustainability is, what the main challenges linked with this topic are, inside and outside the Company, and to understand the link between Schneider Electric's strategy and climate or societal challenges. The goal is also to allow members of this community to share their views in order to solve problems, improve the Company's policies and actions, or to learn about the different ways to get involved daily or occasionally. The Sustainability Department acts as the community manager: from simple posts of polls on the social media platform to quarterly *Webradio* live broadcasts. The community grew from a few hundred people in early 2013 to more than 3,700 *Sustainability Fellows* in 2017.

### Global and local external commitments to move forward collectively

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

Theme	Commitment
<b>Sustainable governance and cross-functional topics</b>	<p><b>International:</b> World Business Council for Sustainable Development (WBCSD), United Nations Global Compact, International Chamber of Commerce (Environmental and Energy commission), CEN-CENELEC Circular Economy groups supporting the European mandate M/543; International Electrotechnical Committee (IEC) in many areas, including Environmental standardization</p> <p><b>France:</b> ORSE's (French Study Center for Corporate Social Responsibility, Board of Directors) Jean-Pascal Tricoire, Chairman of Global Compact France since 2013, was appointed in 2018 a member of the Global Compact Board of Directors, EpE (<i>Entreprises pour l'environnement</i>), Afep (French Association of Private Sector Companies, Environmental and Energy, CSR commissions), Medef (French Business Confederation, Energy Competitiveness Climate, Environment, CSR commissions), Gimélec (French trade association for electrical equipment, automation and related services, sustainability commission and commissions on topics related to Energy efficiency, Smart grids), CCI France (Environmental and Energy commission)</p>
<b>Climate</b>	<p><b>International:</b> <i>Carbon Pricing Leadership Coalition, Caring for Climate, The Climate Group and We Mean Business (RE100, EP100, Responsible Climate Policy, Report Climate Change Information/TCFD), Business Climate Summit, Clinton Climate Initiative, The 2°C Challenge Communiqué, White House Pledge, Global Compact LEAD (Pathways to Low-Carbon &amp; Resilient Development), Talanoa Dialogue</i>, ETC (Energy Transitions Commission)</p> <p><b>France:</b> EPE (Zen 2050), French Business Climate Pledge, Climate Chance</p>
<b>Energy/Energy efficiency/ Electric mobility/ Digital/ Renewables</b>	<p><b>International:</b> Alliance to Save Energy, Green Grid, eu.bac (the European association for building automation and controls – energy efficiency in buildings), Orgalime (Chairmanship of the Energy Group), ETC (Energy Transitions Commission), European Alliance to Save Energy (Vice-chair), Digital Europe (board), Energy Solutions, Solar Power Europe; CEN-CENELEC-ETSI clean energy package group</p> <p>International Electrotechnical Committee (IEC) in many areas, including e-mobility and smart charging, distributed energy resources integration</p> <p><b>France:</b> National Energy Transition Council, Green Building Plan, Promodul, Financing company for energy transition, Avere (Electric Vehicle Association, Board of Directors and vice-chairmanship), IFPEB (<i>Institut français pour la performance énergétique du bâtiment</i>), Industry of the Future Alliance, P2E Initiative, Ignes (digital, energetic and security engineering industries), France Data Centers, <i>Comité Stratégique de Filière (CSF) Industries des Nouveaux Systèmes énergétiques</i>, Minalogic, <i>Conseil National de l'industrie, Alliance pour l'Industrie du Futur (AIF)</i></p>
<b>Smart grids</b>	<p><b>International:</b> Research Triangle Cleantech Cluster (Raleigh, North Carolina), Grid Edge Executive Council (Greentech Media), Fort Collins Cleantech Cluster (Colorado), OpenADR Alliance, smartEn (Smart Energy Europe), Peak Load Management Alliance, North American Electric Reliability Council (NERC) Functional Model Demand Response Advisory Team, NEMA Smart Grid Council, IEEE (T&amp;D and Power and Electronics Society), Association of Energy Service Professionals (AESP), Association for an Energy Efficient Economy (AEEE), Pacific Northwest Demand Response program, Capiel (European Coordinating Committee of Manufacturers of Electrical Switchgear and Controlgear, Smart grid project group), Orgalime (Infrastructure task force), Electric Drive Transportation Association (EDTA), Bay Area Climate Collaborative (SF Bay), NEMA Distribution Automation Section 8DA, T&amp;D Europe (European Association of the Electricity Transmission and Distribution Equipment and Services Industry, working group Smart grids and Micro grids), European Smart grid task force led by the European Commission, ISGAN (International Smart Grid Action Network); CEN-CENELEC-ETSI Smart Energy grid Co-ordination group</p> <p>International Electrotechnical Committee (IEC) in many areas, including the Smart Energy System committee</p> <p><b>France:</b> <i>Think Smartgrids, Tenerrdis Energy Cluster</i></p>
<b>Sustainable cities</b>	<p><b>International:</b> Urban Infrastructure Initiative led by the WBCSD.</p>
<b>Circular economy</b>	<p><b>International:</b> Ellen MacArthur Foundation, European Partnership for Energy and the Environment</p> <p>CEN-CENELEC Circular Economy groups supporting the European mandate M/543</p> <p>International Electrotechnical Committee (IEC) in many areas, including Environmental standardization</p> <p><b>France:</b> Afep (Circular economy working group)</p>
<b>Access to energy</b>	<p><b>International:</b> co-signatory of a white paper for the WBCSD on business solutions for access to energy for all and co-pilot of the "Low carbon electrification in remote areas" group, Sustainable Energy for all, Club ER, Alliance for Rural Electrification</p> <p><b>France:</b> supporting partner of the Social Business/Enterprise and Poverty Chair at HEC</p>
<b>Fuel poverty</b>	<p><b>International:</b> Ashoka</p> <p><b>France:</b> The Rénovons initiative (CLER (the energy transition network), Abbé Pierre Foundation, <i>Secours Catholique</i>, EFFY, ECF (European Climate Foundation), Soliha)</p>
<b>Diversity</b>	<p><b>International:</b> signatory of the Women's Empowerment Principles (WEP) of the United Nations</p> <p><b>France:</b> Diversity Charter, Agreement for professional gender equality, Parenthood Charter, Disability Agreement, Agreement on inter-generational mechanism, Apprenticeship Agreement, Framework Convention on Jobs for the Future (<i>Emplois d'Avenir</i>), Businesses and Neighborhoods (<i>Entreprises et Quartiers</i>) Convention</p>

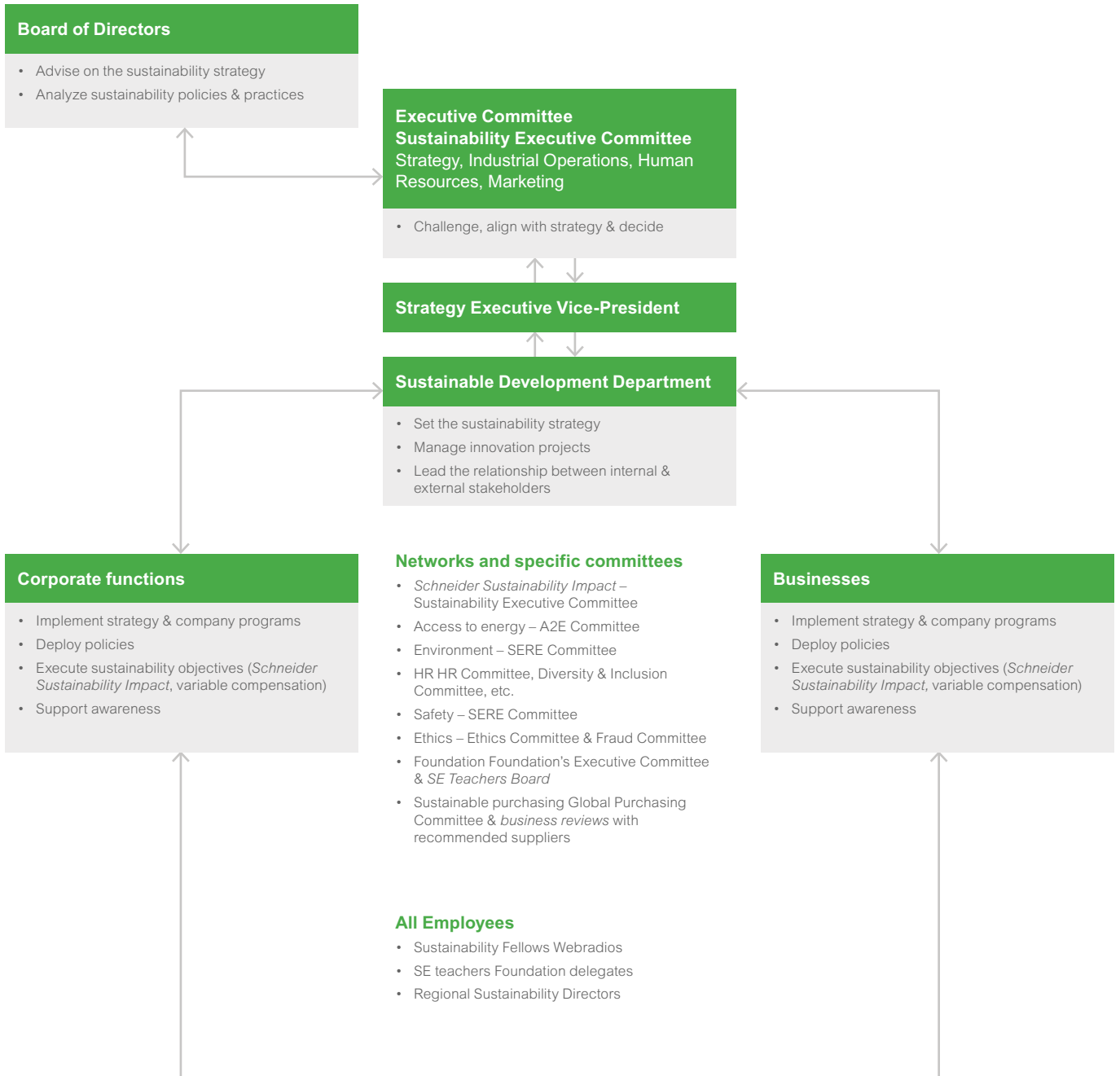
## Sustainable development at the heart of our strategy

Theme	Commitment
<b>Education</b>	<p><b>International:</b> training program in energy management for disadvantaged people, in partnership with local vocational training centers and/or national or international non-profit organizations</p> <p><b>France:</b> Paul-Louis Merlin school, framework agreements with the Ministry of National Education, Higher Education and Research, partnerships with the continuing education network of UIMM, <i>Ingénieurs Pour l'École</i> network (IPE), selected by the Ministry of Education for the Digital School project</p>
<b>Ethics</b>	<p><b>International:</b> <i>Transparency International</i>, <i>Global Compact LEAD (Decent Work in Global Supply Chains)</i></p> <p><b>France:</b> <i>Cercle éthique des affaires</i> (Business ethics club, Board of Directors), <i>Club Droits Humains</i> (Human rights club) of Global Compact France, <i>Entreprises pour les droits de l'homme</i> (Companies for human rights)</p>
<b>Biodiversity</b>	Livelihoods (carbon offset fund for biodiversity and rural communities), act4Nature Initiative
<b>Philanthropy</b>	<p><b>International:</b> IAVE (International Association for Volunteer Effort), more than 70 NGOs supported each year in over 35 countries.</p> <p><b>France:</b> Admical (<i>Association pour le développement du mécénat industriel et commercial</i>, member of the European network CERES), <i>IMS-Entreprendre pour la cité</i>, French Foundations Center, Pro Bono Lab</p>
<b>Standardization</b>	<p>With around 700 experts actively participating in international and national standardization bodies, Schneider Electric is making, in particular, a decisive contribution to the elaboration and dissemination of standards that ensure the safety and reliability of electric facilities and equipment, and address their environmental impacts all along their life cycle to prepare for a better circular economy, support the new Energy landscape with the goal of greener energy integration, safer energy delivery and better integration of prosumers</p> <p>It serves, in particular, as the chair of the French electrotechnical institute, which is a founding member of international (IEC – International Electrotechnical Commission) and European organizations (Cenelec – European Committee for Electrotechnical Standardization)</p> <p>Involved in these two organizations, at governance and technical levels, it participates actively in the standardization of smart grids, in particular in the area of power utility automation, for which it leads the definition of standards and the standardization roadmap within the European smart grids co-ordination group, as well as the group in charge of standardizing the interfaces between smart buildings and smart grids</p> <p>It serves on the French Committee for environmental standardization and was a major contributor to smart manufacturing initiatives such as the AIF in France. Notably, it is a member of the Council Board and of the IEC Conformity Assessment Board</p> <p>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, as well as supporting the coming new legislative “Clean Energy Package”</p> <p>CEN-CENELEC-ETSI are the 3 official European standardization bodies</p> <p>It also chairs the group at the IEC level in charge of defining the roadmap of international standards to support the roll-out of the Smart Energy domain (Smart Grids, in addition to interfaces with other energies)</p> <p>As part of the European Commission’s Circular Economy package, CEN-CENELEC-ETSI will develop, by 2019, a set of standards covering reparability, reuse, recycling, refurbishment, etc. of products which fall within the scope of the EcoDesign directive</p> <p>Schneider Electric has appointed experts in each of the working groups</p> <p>It leads the UPS manufacturers’ group in the EU Commission’s Product Environmental Footprint (PEF) pilots for defining rules to assess the PEF of products put on the EU market</p> <p>the pilot phase ended in 2018 before implementation of the policy</p> <p>It chairs several ISO (International Standardization Organization) technical committees</p> <p>At the forefront of digital transformation, it is a board member of the European AIOTI initiative (Alliance for Internet of Things Innovation), leading in particular the Buildings work group, and leading the IEC 17 working group on compliance assessment in the field of cybersecurity</p> <p>Since February 2007, Schneider Electric has represented France on the IEC’s Advisory Committee for Environmental Aspects (ACEA)</p> <p>ACEA works to advise and coordinate the IEC’s efforts to tackle environmental issues</p> <p>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)</p> <p>It also chairs many French standardization committees hosted by AFNOR (French standards organization)</p> <p>It is particularly heavily involved in the working group on sustainability (chairs Environment and Circular Economy groups) and in the work on the rational use of energy</p>

### 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 sustainability issues within Schneider Electric, and how sustainability is integrated in the processes and bodies that design and execute the Group strategy.



### Sustainable development at the heart of our strategy

#### The Sustainability Department

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

- define Schneider Electric's sustainability strategy and roll out action plans at the Group level with the concerned entities;
- develop and manage Schneider Electric's innovative community projects to ensure continuing improvements in the Group's performance in this area.

In 2010, the Sustainability 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, in charge of leading the Ethics & Compliance program (see pages 114-118);
- Social responsibility, specifically with the Schneider Electric Foundation as well as local economic and social development programs (see pages 167-171);
- Access to energy, with responsibility for the Access to Energy program (see pages 162-167);
- Supporting and developing the Group's performance, in particular by steering the Schneider sustainability Impact, the Strategy and Sustainability Report, and the Integrated Report (see pages 94-96).

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

(See page 123).

#### Human Resources organization

(See page 142).

#### The Ethics Committees

(See page 114).

#### The Board of Directors

In 2013, the Board of Directors decided to extend the powers of the Remuneration Committee to incorporate social responsibility issues. Since 2014 there has been a specific committee for CSR: The Human Resources and CSR committee (See pages 234-235).

#### The Sustainability Executive Committee

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

#### The Sustainability Communication Steering Committee

In 2017, Schneider Electric set up a quarterly Sustainability Communication Steering Committee. Its members are those impacted by the sustainability journey of the Group for the coming years. Among them, the Executive Vice-President Global Marketing, the Executive Vice-President Strategy, the Sustainability Director, the Safety, Environment and Real Estate SVP, the Energy & Sustainability Services (ESS) SVP, and the Talent Management SVP.

#### The Sustainability Action & Communication Tank

Since 2017, the Sustainability Action & Communication Tank has brought together Schneider Electric's internal and external Communication and Marketing stakeholders around the Sustainability Director every quarter to share significant events, language elements and factual data on the Group's sustainability projects.

### 1.5: External and internal guidelines for a solid framework

#### External guidelines

##### The United Nations Global Compact

The Global Compact was launched in 1999 by UN Secretary-General Kofi Annan. It brings companies and non-governmental organizations together under the aegis of the United Nations to "unite the power of markets with the authority of universal ideals".

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

By signing the Global Compact in December 2002, Schneider Electric made a public commitment to these universal values. The Group has primarily worked to share this commitment with its partners since 2003 (see pages 111-114 "Relations with sub-contractors and suppliers").

In line with the requirements of the Global Compact, Schneider Electric publishes an annual Communication on Progress (COP). This publication reports on the Group's different action plans and monitoring indicators for the 10 principles of the Global Compact.

Schneider Electric meets the requirements of the Advanced Level of the Global Compact with this report for COP.

##### ISO 26000

In 2010, the ISO (International Organization for Standardization) published its guidelines on organizations' social responsibility (ISO standard 26000). ISO 26000 promotes a compromise involving different players from the public, private and non-profit sectors from around 100 countries, and a vision of how an organization should view societal responsibility. Schneider Electric's actions towards sustainability are committed to ISO 26000. This standard legitimizes the sustainability 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 since 2012 to promote the adoption of the ISO 26000 principles with its suppliers (see pages 111-114 "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 integrated updates to the GRI Standards. A reference table with its indicators and those proposed by GRI is available on the Schneider Electric website.

### The Sustainability Accounting Standards Board (SASB)

Schneider Electric complies with SASB reporting guidelines for its sector: Energy Management (see pages 130-134 and 184-186), Hazardous Waste Management (see pages 136-139 and 184-186), Product Safety (see pages 68, 75 and 76), Product Lifecycle Management (see pages 127-129), Business Ethics and Competitive Behavior (see pages 77-78 and 114-118), Materials Sourcing (see page 72).

### The Task-Force on Climate-related Financial Disclosure (TCFD)

In June 2017, the "Task-Force on Climate-related Financial Disclosure" (TCFD), a working group led by Michael Bloomberg under G20 Financial Stability Board's (FSB) mandate published its recommendations for companies' climate action disclosure. These recommendations comprise four categories: Governance, Strategy, Risk Management and KPIs and targets. CEOs from more than 100 companies signed a statement of support for the TCFD recommendations and Schneider Electric's CEO was among them. Schneider Electric is fully aligned with those recommendations.

### Internal guidelines

Schneider Electric has written guidelines that promote an ethical framework and strategic roadmap in which the activities of the Group are carried out: The *Principles of Responsibility*, which are supplemented by policies and related directives. Consequently, the Group's desire to vigorously implement its commitments gave rise to the Ethics and Compliance program in 2010 (Red program). See pages 114-118.

### Ethics & compliance

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

### Human rights

In 2017, Schneider Electric drafted a specific human rights policy as part of a broader program on duty of vigilance in its value chain and in line with the UN Guiding Principles on Business and Human Rights (see page 119).

### Responsible purchasing

In 2016, Schneider Electric renewed the charter for its suppliers, called the Supplier Guide Book. The first chapter of this Book sets out the Group's sustainability expectations in five areas: environment, fair and ethical business practices, sustainable purchasing, working conditions, and human rights. These requirements are detailed in a dedicated document called the Supplier Code of Conduct. In 2018, the Group adopted the Responsible Business Alliance (RBA) Code of Conduct for suppliers.

### Environment

The first version of Schneider Electric's environmental policy was published in 1992. It was modified in 2004 and confirmed in 2007. It aims to improve industrial processes, reinforce product EcoDesign and incorporate Group customers' concerns about environmental protection by providing them with product and service solutions. It is bolstered by the Energy, EcoDesign, Materials and Substances, and WEEE (Waste Electrical and Electronic Equipment) policies. These policies apply to the Group and are accompanied by global action plans.

### Sustainable development at the heart of our strategy

#### Social

The Group's Human Resources policies cover the following: diversity & inclusion, health & well-being, safety, security and travel, 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

Evaluations and awards underline external recognition of the Group's sustainability programs and indicate the Company's performance in its benchmark sector.

In the Ipreo report SRI Leaders Index Fall 2018, Schneider Electric was 5<sup>th</sup> on the list of global companies, having the most SRI funds in its capital (397 funds).

#### Ratings and indices

##### DJSI World and Europe

In 2018, Schneider Electric was part of the DJSI (Dow Jones Sustainability Index) World and Europe indices and was ranked second in its industry with a score of 81/100. It has been part of these two indices since 2002, except in 2010 when it was not in the World index. It was Industry Leader between 2013 and 2016. Evaluation for this family of indices is provided by RobecoSAM, an independent asset manager headquartered in Switzerland.

##### CDP Climate A list

In 2018, Schneider Electric was one of 127 companies of the almost 7,000 companies that participated in the CDP Climate Change program to secure a place on the Climate A list, and the only company in its industry to achieve an A rating for the 8th consecutive year.

It belongs to the STOXX *Global Low Carbon Footprint and Global Climate Change Leaders indices*.

Schneider Electric is also a member of the CDP Supplier Engagement Leader Board for its performances as a supplier, by examining four key areas of the CDP questionnaire on climate change: governance, objectives, scope 3 emissions and commitment in the value chain.

Schneider Electric also received a B-score for its first participation in CDP's "Water security" questionnaire.

##### Vigeo Eiris Industry Leader

The composition of the Euronext Vigeo Eiris indices is updated twice per year, in June and December, based on the opinions of Vigeo Eiris conducted approximately every two years. Schneider Electric was evaluated in late 2017. It is an industry leader (Electric Components & Equipment) at the highest level (Advanced), with a rating of 63/100 in December 2017. Since June 1, 2018, Schneider Electric has been part of the Euronext Vigeo Eiris World 120, Europe 120, Eurozone 120 and France 20 indices. It is also part of the Ethibel Sustainability Index (ESI) Excellence Europe and Global.

##### ISS Oekom Industry Leader

Schneider Electric is at Prime level at Oekom and second in its industry (Electric Components) out of 91 companies.

##### MSCI Industry Leader

Schneider Electric has been at AAA grade since 2011, an industry leader and a member of the MSCI SRI, Socially Responsible, ESG Leaders, Select ESG Rating & Trend Leaders, Low Carbon Leaders, and Low Carbon Target (list non exhaustive).

##### Sustainalytics Leader

Following its assessment in June 2018, Schneider Electric was ranked 1<sup>st</sup> in its universe (43 companies) with a score of 84/100 and is part of the STOXX Global ESG Leaders, Environmental Leaders, Social Leaders, Governance Leaders, Impact, and STOXX Sustainability indices.

##### FTSE4Good

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

##### ECPI

Schneider Electric is included in the ECPI Carbon, Ethical, Renewable Energy, Global Developed ESG Best in Class, Megatrend, Climate Change and Circular Economy Leaders.

##### ISS

Schneider Electric achieved a 1 ranking in Environment, 1 in Social, and 4 in Governance at ISS (Institutional Shareholder Services, Inc.) in the 2018 QualityScore. The rating scale runs from 1 to 10, with 1 representing the lowest risk level and 10 the highest.

##### EcoVadis Advanced level and Gold rating

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

### Other awards in 2018 and beyond

Among the awards received for sustainability, the Group highlights the following:

**Integrated Thinking Award:** Schneider Electric is the winner of the Integrated Thinking Awards in Europe in the Large Companies category, organized by the Responsible Capitalism Institute; this distinction hails the real integration of sustainability into the Group's strategy and the great attention paid to dialog with all its stakeholders;

**Carbon Clean 200 list:** in the third quarter of 2018, Corporate Knights ranked Schneider Electric number 3 worldwide for its revenue devoted to energy transition;

**Newsweek Green Ranking:** in 2017, Schneider Electric was the 12<sup>th</sup> greenest company in the world, according to the Corporate Knights ranking;

**Global 100 most sustainable corporations:** Schneider Electric ranked 60<sup>th</sup> in January 2019 in the ranking drawn up by Corporate Knights. This is the 7<sup>th</sup> year running it has appeared on this list;

**Carbon Clear (EcoAct):** Schneider Electric is in the top 4 CAC 40 company in the fight against climate change;

**The Circulars 2019:** Schneider Electric won an award in the Multinational Companies category of The Circulars 2019 awards for its commitment to the circular economy. This award recognizes Schneider Electric's efforts to make the circular economy a core tenet of its strategy and its innovation as well as its ambitious goals in the field.

**Gartner supply chain top 25:** Schneider Electric climbed up five notches in the Gartner Supply Chain top 25 ranking and earned 17<sup>th</sup> position in 2018 for the exemplary management of its value chain.

**CAC40 2018 trophies:** Still ranked among the top 10 of the Trophies, Schneider Electric obtained a score above 16/20 for the first time. This consistency in rankings illustrates the relevance of a digital strategy launched more than 10 years ago, and one that grows stronger every year.

**Bloomberg Gender-Equality Index:** Schneider Electric is present in Bloomberg's gender-equality performance index among 230 companies, published in January 2019;

**Catalyst award:** Schneider Electric received an award in 2019 for its capacity to attract female employees in India, an initiative that is an integral part of the Group's global diversity and inclusion program;

**Equileap Gender Equality Global Report & Ranking:** According to Equileap, Schneider Electric is one of the 15 companies worldwide with the highest level of workplace gender equality.

**Ethisphere:** Schneider Electric was one of the 128 most ethical companies according to the Ethisphere's ranking in February 2019, for the 9<sup>th</sup> consecutive year; only three French companies were included in this year's ranking;

**Employer Rewards:** Forbes recognized Schneider Electric US as one of the world's most attractive employers; Schneider Electric received "the Best Company Page" award from LinkedIn for its attractiveness; Schneider Electric is recognized by Fortune as one of the "World's Most Admired Companies" in the Top 5 of the electronic industry for the second consecutive year; Schneider Electric received a score of 3.9 from Glassdoor at the end of 2018; Schneider Electric is recognized as one of the "World's Most Attractive Employers" by Universum. In the United States, Schneider Electric ranks among the best employers promoting diversity according to Forbes "Best Employer for Diversity" and "America's Best Large Employers"; Schneider Electric US was also recognized as being a "Best Company for Women" by Comparably, a "Military Friendly Company" by Military Friendly, and certified as a "Great Place to Work" among 81% of polled employees.

## Green and responsible growth driving economic performance

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## 2.1 In brief

## Context and goals

Climate change is one of the main challenges of the 21<sup>st</sup> century. Schneider Electric works for industries that account for the majority of global energy consumption but as energy consumption is not always optimized, it makes it one of the largest sources of CO<sub>2</sub> emissions.

As a global specialist in energy management, Schneider Electric's products and solutions help reduce energy consumption and CO<sub>2</sub> emissions. The Group is developing energy efficiency offerings to reduce energy bills up to 30% for every type of building.

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

## Key targets and results

For this section, four key performance indicators have been set in the 2018-2020 Schneider Sustainability Impact:

Objectives for year-end 2020	2018	2017
1. 25% growth for our Energy & Sustainability Services entity	13.8% ▲	–
2. 5 pts /100 of increase in the average score from the ISO26000 evaluation for our strategic suppliers	1.80 ▲	–
3. 300 suppliers monitored on human rights and environmental issues have received a dedicated evaluation on site	155 ▲	–
4. 100% of sales, purchasing and finance functions are trained each year in anti-corruption practices	68.6% ▲	–

The 2017 performance serves as a baseline for the 2018-2020 Schneider Sustainability Impact.

▲ Audited 2018 indicators.

Please refer to pages 174 to 179 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 107-109 for indicator 1, 112-113 for indicator 2, 110-111 for indicator 3 and 116-117 for indicator 4).

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

### Description of risks and opportunities

Our planet is facing an unprecedented energy challenge as global primary energy demand is expected to increase by more than 50% by 2040<sup>(1)</sup> if it was not limited to half that increase thanks to energy management actions. Recent Schneider Electric research indicates that 92% of large companies are deploying energy and resource efficiency measures to reduce their overall carbon emissions.

Energy management lies at the heart of Schneider Electric's business strategy. Customers – companies, citizens, governments – all want to reduce their costs and environmental impact while constantly improving the reliability, safety and performance of their homes, buildings, sites and equipment.

To ensure that energy efficiency targets are achieved, and to facilitate the increasing share of renewables in the energy mix, Schneider Electric provides an innovative and competitive portfolio of products and solutions to help its customers.

### Active Energy Management

Though more than 57%<sup>(2)</sup> of large companies have made public commitments to reduce carbon emissions, many companies face internal barriers such as siloed departments or data that prevent them from reaching their energy and sustainability goals. In fact, only 22% of companies share all energy, resource and sustainability data between functional departments that need it.

To clear these hurdles, organizations are integrating strategies and data on how they buy and use energy with sustainability initiatives, an approach we call Active Energy Management. This holistic approach maximizes investments, delivers greater returns and builds more robust, viable operations.

Practical examples of Active Energy Management include implementing demand response programs based on real-time price or carbon signals; combining distributed energy resources and efficiency technology to cut costs, reach CO<sub>2</sub>-reduction goals, and increase resiliency; and using utility records to validate compliance with industry standards and regulatory requirements. Given the rapid evolution of the energy landscape, and the push to a more decentralized, decarbonized and digitized future, this type of integrated thinking and action is essential and can create new financial opportunities.



Schneider Electric helps the world's leading companies set energy and sustainability goals, develop a strategy, collect data and deploy solutions and programs to reduce their footprint and meet their goals. Services and software offers include:

- Energy and sustainability strategy development;
- Strategic energy procurement and corporate renewable energy programs;
- Enterprise wide energy and sustainability data collection and integration into the EcoStruxure™ Resource Advisor software platform;
- Energy efficiency consulting to reduce consumption;
- Energy and sustainability certification and compliance and reporting.

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

(1) International Energy Agency, World Energy Outlook 2017.

(2) State of Energy and Sustainability Programs 2019, Schneider Electric.

### Green and responsible growth driving economic performance

#### Partner of choice in the energy transition

Distributed Energy Resources (DERs) are reshaping the energy landscape. Consumers are now able to reach new heights in energy cost savings, sustainability and resilience by investing in DERs behind-the-meter turning themselves into Prosumers.

Intermittent and decentralized, DERs employ innovative power systems designed to optimize and ensure system stability, and to finance asset implementation. This calls for behavioral changes, new and smart technologies and new business models. Today, DERs can help tackle energy challenges by creating an optimized way to access reliable, green, and resilient energy.

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

Schneider Electric's microgrid management offerings consists of:

- the EcoStruxure™ Microgrid Advisor, which is a cloud-based solution that leverages powerful analytics to optimize microgrid performance, in terms of sustainability, energy costs and productivity.
- the EcoStruxure™ Microgrid Operation, which is an on-premise solution that ensures grid stability and energy reliability in several scenarios (islanded, grid-tied, etc.);
- the Energy Control Center, which is all your microgrid in one box – minimizing the impact on the rest of the installation.

The open scalable EcoStruxure solutions can be connected with Schneider Electric or third-party systems, for both new and existing infrastructures. This combined with innovative business models to help end users to navigate the landscape, optimize system design and operation, and achieve the desired energy goals.

Schneider Electric's Access to Energy solutions electrify remote areas, from individual systems in homes and micro-enterprises used to develop commercial and leisure activities to larger scale systems in public institutions, schools, healthcare centers and other community buildings. Schneider Electric recently launched Villaya Emergency, a mobile hybrid microgrid, that provides cost effective clean energy to people without access to energy (see more details pages 162-167).

#### Driving grid transformation in the energy transition

The energy landscape is under transition driven by megatrends like decentralization and decarbonization of energy generation as well as digitization across the grid. Grid operators (or the ecosystem, ...) must innovate to provide customers with reliable power, all the while running operations at maximum efficiency.

Schneider Electric recognizes that the world of the prosumer and that of the electricity company are tightly interconnected. EcoStruxure Grid, a unique IoT-enabled architecture, harmonizes and unites both sides of the energy equation. It contains offers that help both supply- and demand-side energy players to harness and capitalize on the new energy landscape.

What does EcoStruxure Grid do?:

- It makes electrical networks and generation assets smarter through digitalization. Schneider Electric's digital solutions help its customers satisfy their own customers' electricity demand without interruption, with greater grid resilience, more reliability and better cost avoidance, integrating greener and more sustainable energy at an acceptable cost while still reducing their carbon footprint.
- Second, it integrates DER and renewable/intermittent energy sources into existing grids in a safe and optimal way. It ensures the grid stays stable and manageable as the growth of decentralized renewables continues into the foreseeable future.
- Third, it optimizes and extends the life of existing grid assets through services. Electricity companies are some of the most asset-intensive organizations on the planet, and Schneider Electric's services, expertise and technologies lead to substantial efficiencies and avoided downtime, which means huge cost savings for its customers.
- Fourth, it provides microgrid solutions for prosumers. Microgrids and energy-as-a-service are gaining popularity because they solve many different energy problems. Those include ensuring a reliable power supply, reducing energy costs, reducing CO<sub>2</sub> emissions, taking ownership of consumption, giving users the power of choice and control, and optimizing the energy mix according to one's particular goals.

#### Energy efficiency

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 2017, the IEA estimates that over 80% of the economic potential of energy efficiency in buildings and more than half in industry, remains untapped. The world has to use energy at least 3% more productively each year in order to stay below 2 degrees, and there is a big opportunity to reduce emissions with energy efficiency.<sup>(3)</sup>

Improved energy efficiency not only pays dividends by trimming consumption and costs, it also brings environmental sustainability benefits, which can deliver as much as 2.5 times the value of reduced energy usage (IEA). And the good news is that most companies are working towards increasing energy efficiency. Recent Schneider Electric research indicates that 92% of large companies are deploying energy and resource efficiency measures to reduce their overall carbon emissions.

(3) <https://rmi.org/press-release/energy-efficiency-can-address-climate-change-drive-prosperity-and-strengthen-national-security/>.

Schneider Electric promotes active energy efficiency solutions, which consist of optimizing the entire energy cycle using energy control products, systems, services and software. Schneider Electric is helping companies and utilities to reduce energy consumption by up to 30% as well as optimizing their processes.

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

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

For Schneider Electric, EcoStruxure™ is tailored to its end-markets, where it has decades of deep domain expertise and applied experience. EcoStruxure™ solutions are deployable both on premise and in the cloud, with built-in cybersecurity at each of the innovation levels: connected products; edge control; and apps, analytics, and services.

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

## 2.3: Duty of vigilance plan

### Description of risks and opportunities

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

### Group policy

Schneider Electric's Duty of Vigilance plan is built on the following steps:

- Identification of risks, assessment and prioritization
- Buildup of mitigation plans and prevention actions
- Review of results and implementation of corrective actions

The plan also includes two specific alert processes (Red Line and Green Line) to allow the communication and reporting of specific issues identified, both internally and externally.

The plan is governed by the Duty of Vigilance Committee, implemented in 2017. Its role is to review the risks identified through the assessment process, to oversee plans buildup and deployment, and to assess the results. The committee meets on a regular, quarterly basis and is chaired by three Senior Vice Presidents: the Sustainability SVP, Procurement SVP and Safety & Environment SVP.

An overview of the Duty of Vigilance plan was provided to the French and European government representatives and such regular overviews will be planned regularly in the future to ensure full compliance.

The Duty of Vigilance plan covers the following three categories of stakeholder:

- 1: Suppliers & Subcontractors
- 2: Company & Subsidiaries
- 3: Customers

## Green and responsible growth driving economic performance

### Due diligence and results

#### 1. Suppliers and subcontractors:

Schneider Electric introduced a new program at the end of 2017 to identify and manage its suppliers under vigilance. Targeting the entire scope of all tier 1 suppliers, this new program enables the Company to identify suppliers that are most exposed to risks in terms of labor practices, health and safety conditions, environment protection, and business integrity based on their geographic situation and type of activity. To do so, and to step up accountability in its supply chain, particularly in terms of the suppliers most exposed to risks such as human rights abuses or environmental issues, in January 2018 Schneider Electric joined the Responsible Business Alliance (RBA), a non-profit coalition of more than 120 companies from the electronic, retail, automobile and leisure industries. The Alliance’s aim is to promote and guarantee high standards in human rights, safety and security, environmental protection and business ethics.

Supplier risk mapping according to labor, health and safety, environment and ethics dimensions was performed in early 2018 with a recognized third-party tool available through the RBA partnership. The following results were found: the most exposed countries include China and India, while the most exposed commodities include sheet metal, electrical connectors, construction services and travel. Graph 1 shows the geographical split of the Schneider Supply Base identified as risky ~1000 suppliers.

The supplier vigilance plan comprises two steps. First, specific training campaigns were held for the Schneider Electric buyers and auditors involved in the program. Training was also deployed towards suppliers and this will continue in the coming years. Secondly, in order to mitigate risks, the new 2018-2020 Schneider Sustainability Impact, which measures the Group’s sustainability performance, includes a target of 300 suppliers’ sites to be audited from 2018-2020. These audits are conducted leveraging the RBA industry best practice referential and methodology, which also includes a focus on suppliers’ Management Systems.

In 2018, 155 onsite audits were completed. The geographical coverage of suppliers audited (Graph 2) encompasses all regions where Schneider Electric conducts business and where risky suppliers have been identified.

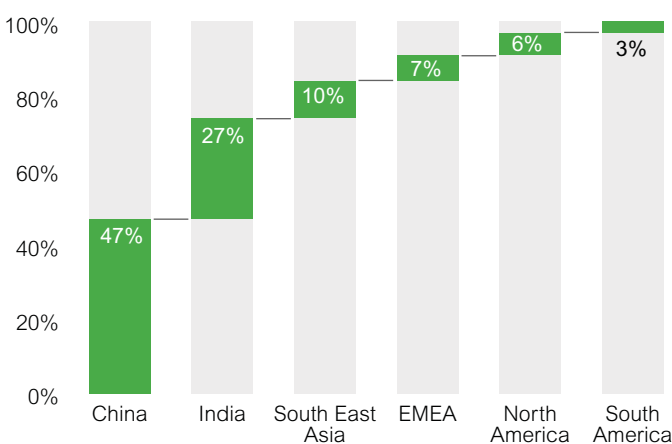
When non-conformance is identified, appropriate actions to mitigate risks are taken: Schneider Electric requires the supplier to set-up and complete a corrective action plan. A Schneider Electric team monitors implementation progress until the supplier is compliant. A specific process has also been validated for supplier disengagement if unresolved risks remain.

As a result of the 2018 audit plan, 1,400 non-conformances have been raised. Graph n°3 gives the breakdown of non-conformances by topic and Graph n°4 gives them by geography. In terms of the number of suppliers, around 70% of suppliers with non-conformance findings are based in China and India.

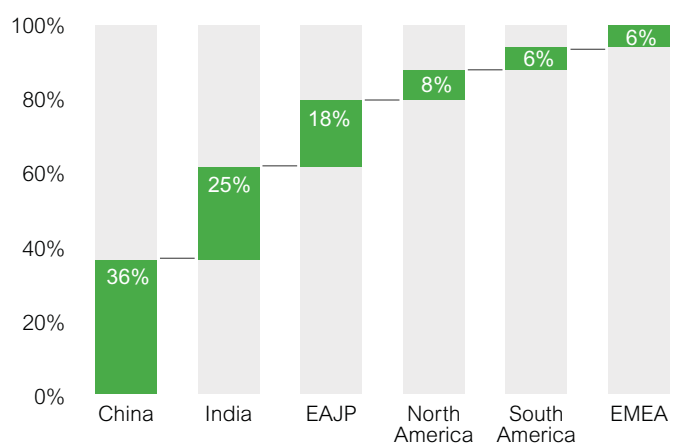
Within the top 10 most common findings, the most frequent are related to Health and Safety (i.e. fire detections alarms, effective emergency, exit signs, etc.), and to Labor (i.e. excessive working hours, number of days off, etc.).

All suppliers have committed to correct non-conformances. At the end of 2018, the percentage of closed non-conformances which were validated by Schneider Electric was about 15%. In a limited number of cases, Schneider Electric has decided to cease doing business with certain suppliers. In 2019, Schneider will work to close the non-conformances raised in 2018, to deploy training towards other suppliers, and to expand the audit coverage.

% Risky suppliers – Graph 1

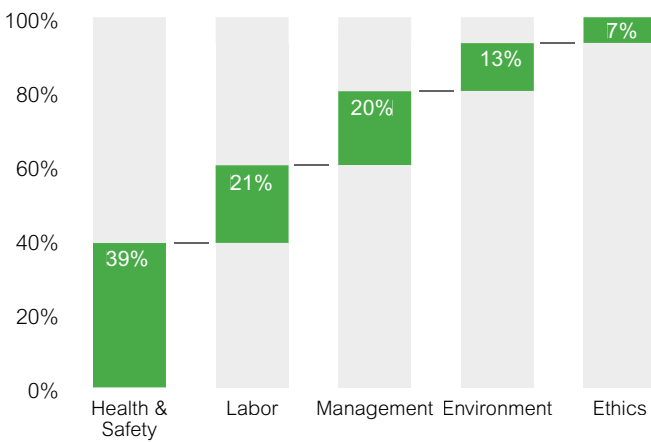


% Audits done (2018) – Graph 2

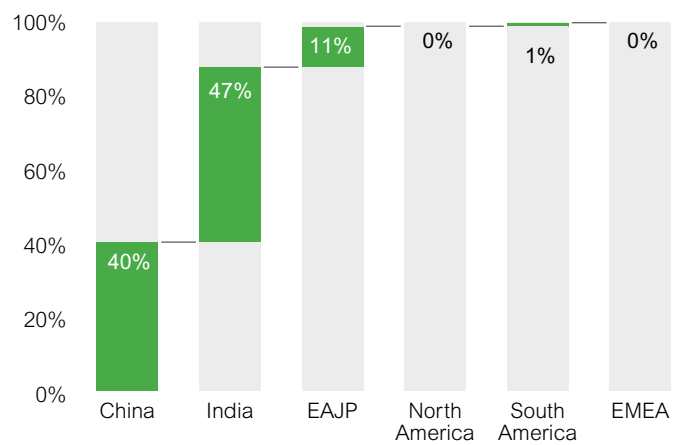




% Non conformances – Graph 3



% Non conformances – Graph 4



## 2. Schneider Electric company and subsidiaries:

Schneider Electric is using several processes of risk assessment, internal control, and internal audits to build a risk matrix. These processes include digitized assessment tools used by local teams or by members of Internal Control regional teams, or by the Internal Audit global team. The key risks identified are labor practices, health and safety conditions, environment protection, and business integrity. To mitigate each of these three risks, specific actions have been implemented under the responsibility of the respective functions (Human Resources, Global Safety and Environment, Global Compliance). These actions included specific trainings and learning sessions, awareness campaigns, and a systematic tracking of events occurred and corrective measures taken. In addition, in 2018, a specific program to prevent forced labor was launched. As a first step, Schneider Electric is joining the RBA's Trafficked & Forced Labor taskforce with a range of activities including training of key on-the-ground actors, reviewing labor agencies, and a range of other actions to be taken with a multi-industry approach for the most positive impact on workers. To strengthen its processes, the Company will also join the RBA's Responsible Labor Initiative created in 2017, focused on labor agents in the supply chain and risks associated with the recruitment of foreign workers.

## 3. Customers:

A plan to implement specific due diligences on the Company's projects activity is under construction. The objective of these new measures will be to ensure that, during the course of the execution of projects, business partners of Schneider Electric comply with our standards and guidelines in terms of labor practices, business ethics, environment, health and safety.

### Specific alert processes (whistleblowing): Red Line, Green Line

To allow specific alerts to be reported with a high level of confidentiality and dealt with at a high level, Schneider Electric relies on an online internal system called Red Line. This system has been fully operational for several months and covers internal topics.

In 2018, a similar alert system was implemented for external cases. This system, called Green Line, is available for external stakeholders including suppliers, subcontractors, customers and business agents, and allows alerts to be raised on the following items: corruption; conflict of interests; falsification of documents; accounting and auditing manipulation; theft; fraud; embezzlement; child labor; forced labor; human trafficking; health & safety; environmental pollution; harassment; and discrimination. Green Line is managed similarly to the internal alert system Red Line: each case is handled internally, with the highest level of gravity by the Fraud Committee. The availability of Green Line is communicated to Schneider Electric's stakeholders through its official website and its Supplier Code of Conduct.

## 2.4: Relations with subcontractors and suppliers

### Description of risks and opportunities

As a Global Compact signatory, Schneider Electric has been involved in an ambitious approach to including sustainable development challenges in the supplier selection and working processes. This approach is all the more important as Schneider Electric's Procurement volume represents more than EUR12 billion – AND more than 50,000 suppliers.

With a complex global supply chain, there are some potential risks that Schneider Electric is committed to mitigating in the areas of health and safety, human rights, ethics, the environment and sustainable development. By proactively managing upstream supplier risks, we are positively benefiting the Schneider Electric reputation, shareholder value and greatly lowering legislative and business risks through our Supplier Vigilance, Sustainable Development and Procurement programs and processes.

By working closely with our suppliers to develop their maturity in various sustainable development measurables, Schneider Electric further de-risks and improves the Group's competitive advantage by continually improving the global supply chain. Other opportunities and benefits include carbon footprint reduction and opportunities to co-innovate sustainable solutions with our top suppliers and partners.

### Green and responsible growth driving economic performance

#### How to identify and manage

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

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

In addition, Schneider Electric is reinforcing its sustainability risk assessment by geography and type of activity as part of its duty of vigilance plan, based on the following categories of risks: human rights, environment, health & safety, and anti-corruption. In this context, Schneider Electric has performed a risk analysis in early 2018 among all its suppliers with the help of a recognized third-party expert mapping tool available through the Responsible Business Alliance partnership.

In the first quarter of 2018, Schneider Electric launched its professional alert system for external stakeholders, including suppliers, to share business ethics concerns.

#### Group policy

Since 2004, the Group has been encouraging its suppliers to commit to a sustainable development initiative, first and foremost through measuring the proportion of its 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 to follow up with its suppliers by requiring them to make progress according to the ISO 26000 guidelines.

This approach is strengthened by the General Procurement Terms and Conditions which all suppliers must abide by: each supplier undertakes to apply the principles and guidelines of the ISO 26000 international standard, the rules defined in the ISO 14001 standard, and is informed that the 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 the 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.

Schneider Electric publishes a charter for its suppliers, called the Supplier Guide Book, initially launched in 2016. The first section of this articulates expectations for suppliers on sustainable development in the following five areas: environment, fair and ethical business practices, sustainable procurement, labor practices, and human rights. In 2018, the Group adopted the Responsible Business Alliance (RBA) Code of Conduct for suppliers. The purpose of this is to align our efforts with industry best practice.

#### Due diligence and results

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

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

It includes two specific sections on sustainability. The following have been chosen as the criteria of evaluation, that are the most relevant “watch” areas identified for the business of Schneider Electric:

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

Schneider Supplier Quality Management includes 4 Supplier Assessment Modules, the last being decisive and where sustainable development criteria account for nearly 30% of supplier evaluation. In addition, all of these criteria have a minimum level, below which a supplier cannot be selected to work with Schneider Electric. Schneider Electric carried out 621 audits of this type in 2018. Since 2014, the Group has launched an e-learning program which covers expectations in these fields and defines the documents and proof to be obtained from audited suppliers. In 2017, Schneider Electric has also digitized its Supplier Approval Module tool, making it more efficient and consistent across the organization.

Thanks to this new capability, all newly assessed suppliers have their action plan registered in a central database available to all in real time, making supplier interactions more fluid. These are tracked by Schneider Electric supplier leaders with the suppliers on a monthly or pluri-annual basis depending on the severity of the action plan.

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

#### Strategic suppliers

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

Sustainable development has become one of the 7 pillars used to measure supplier performance since 2011; allowing the highest-performing suppliers to become “strategic” suppliers. Performance resulting from the third-party evaluation is one of the key points of the sustainable development pillar.

The Group has set out to engage all its strategic suppliers in a process of continuous improvement on this pillar. At the end of 2018, Strategic suppliers represented c. 60% of Schneider Electric’s purchases volume. Strategic suppliers who have passed the third-party evaluation process cover almost 80% of total strategic purchasing volume.

From 2018, the Group took on the ambitious target of achieving a 5 points out of 100 increase in the average ISO26000 assessment score of our strategic suppliers between 2018-2020 as part of the Schneider Sustainability Impact. This indicator of the SSI is integrated into the performance incentive of Procurement employees receiving a bonus. The Schneider Electric strategic supplier ISO26000 ratings remain one of the key aspects of Schneider Electric's Supply Chain and Procurement led sustainable development strategy. The average score of this rating is up 1.8 points in 2018 vs 2017, one of the top performing supply chains measured by the third party evaluation. This achievement is due to continued prioritization in the strategic sourcing process and supplier vigilance strategy to continually improve the environmental, labor & human rights, ethics and sustainable procurement aspects of Schneider Electric's world-class upstream supply chain.

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.

#### All suppliers

In addition to the external assessments, Schneider Electric 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 enough 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 specifically defined process.

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

Potential detection may come from Supplier on-site audits as per vigilance plan leveraging RBA (Responsible Business Alliance) guidelines (see previous paragraph): a process is in place for immediate alert towards the Procurement community, including also executives, for immediate alert, escalation and response.

#### Conflict Minerals rule

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

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

In working towards these commitments, Schneider Electric has taken a number of steps including:

- updating its Procurement terms and conditions to reflect its expectations from suppliers;
- establishing a "Conflict Minerals Compliance Program" supported and sponsored by its 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 its products;
- engaging with its suppliers so that they respond in a timely manner to its requests for evidence of compliance.

Schneider Electric is working with an expert third party, collecting information from its 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.

The Group is aware of the complexity of this task, and that it will take time to collect the needed information, but it is committed to contributing to this responsible sourcing initiative as well as responding to its customers' potential concerns. At the end of 2018, the Group confirmed that more than 80% of the relevant purchases are "conflict-free". The remainder are still under analysis, mainly due to the number of lower ranking suppliers who are themselves in the process of developing this initiative.

## Green and responsible growth driving economic performance

### 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 the 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 its quality. Thanks to this process, the level of verification required for a given supplier can be adjusted in order to make the controls more stringent in cases where deviations have been detected.

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

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

### 2.5: Ethics and compliance, a key challenge for the Group

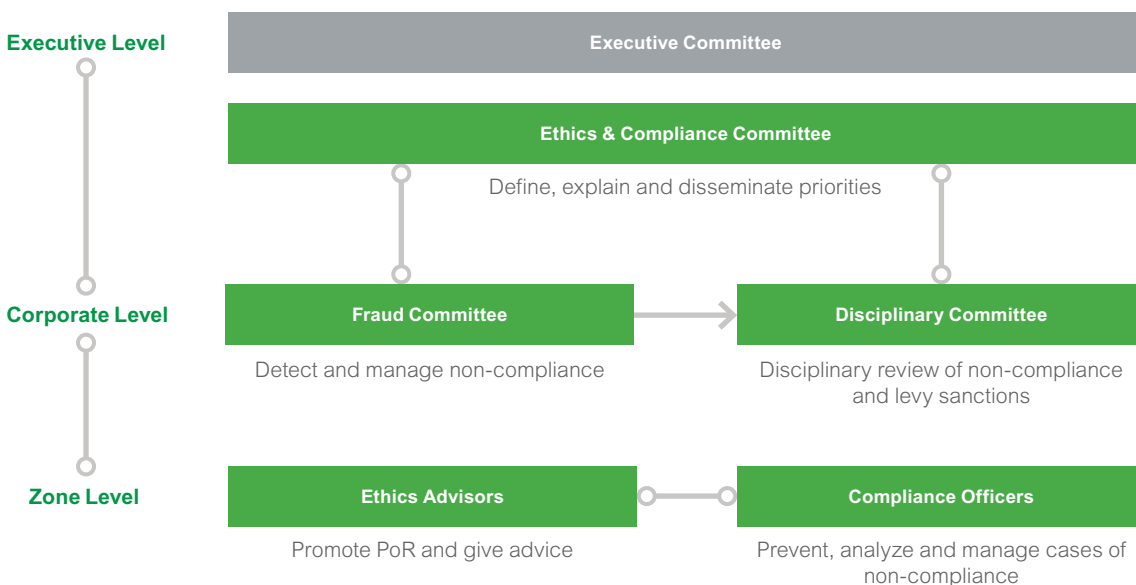
As a global company, Schneider Electric is convinced that its responsibility goes beyond compliance with local and international regulations and is committed to conducting its business ethically, sustainably and responsibly.

The Company interacts constantly with all stakeholders throughout the world: its borders are expanding, its environment is changing ever more quickly, its activities are becoming globalized and its social responsibilities are growing. The challenge is to gain and maintain the highest confidence of its stakeholders.

Each year, Schneider Electric draws up a risks map at Group level which is presented to the Management Committee and used to identify all risks faced by the company, especially with regard to ethics and compliance.

Furthermore, to meet the legal obligations specified by the December 9, 2016 French law known as the Sapin 2 Act, in 2018, Schneider Electric drew up a specific map of corruption and influence-peddling risks at Group level, in order to identify specific issues which are expected to be addressed in an action plan to be approved in 2019.

The Group currently has approximately 137,000 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 Ethics & Compliance program forms the basis of common frames of reference 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.



### Dedicated teams and organization

The program requires the implementation of an organization and includes the following:

- An Ethics & Compliance Committee in charge of defining the program's priorities and the company's vision with respect to ethics and compliance. It must ensure that the program is consistent with the Group's strategic goals. It provides its Executive Committee members with operational elements to be incorporated into the corporate strategic program. Three members of the Executive Committee are permanent members: the Group Executive Vice-President in charge of Legal and Finance, the Committee Chairman, the Strategy Manager and the Human Resources Manager.
- A Fraud Committee tasked with detecting and managing non-compliance cases, especially those notified via the Red Line. It is co-led by the Group General Counsel and Group Compliance Director, the Group Head of Internal Audit and the Group Head of Safety and Security.
- At the end of 2018, a Disciplinary Committee was created to rule on the sanctions specified for serious cases of non-compliance with internal rules, following the management of an alert by the Fraud Committee. The goal of this Committee, chaired by the Group Human Resources Director, is to ensure consistency and a legal basis for the sanctions that will be taken.
- Two networks are in charge of ethics and compliance issues at the geographic area level. Firstly, Principles of Responsibility Advisors that bring together about 30 employees worldwide whose mission is to advise employees faced with ethical dilemmas. Secondly, a Responsible Compliance Council, attached to the Group's Legal Department and whose mission is to detect and manage cases of non-compliance, in accordance with local laws and regulations and the Group's Principles of Responsibility. These two networks work together to promote the Ethics & Compliance Program.

### Group policy

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

*Our Principles of Responsibility* is a 15-page document, first published 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.

*Our Principles of Responsibility* were prepared in compliance with the 10 principles of the United Nations Global Compact, 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 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 on the intranet. In addition, a clause was added to the 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.

In 2018, Schneider Electric launched the update of its *Principles of Responsibility* in order to better meet the company's new issues and challenges. The new *Principles of Responsibility* will be available in the first half of 2019.

#### Policies and directives

*Our Principles of Responsibility* are completed by global and local policies in order to provide specific answers to the different Principles of Responsibility, specific legal obligations and local practices. Some policies are also sector-based (purchasing, quality, environment, etc.) (page 115). The following policies and directives were set up in 2017 and 2018:

- Global anti-corruption policy
- Anti-corruption code of conduct
- Human rights policy
- Anti-harassment policy
- Data protection policy
- Red Line policy

Furthermore, in order to meet the requirements of the Sapin 2 Act, the Group drafted an Anti-Corruption Code of Conduct in November 2017, which was then annexed to the Internal Regulations of the Group's French companies during 2018. This Code deals with different issues: conflicts of interest, back commissions, gifts, payment facilities, hospitality, lobbying. The Code identifies and defines the risks linked to corruption and describes the behavior expected from the Group's employees. It seeks to give additional guidelines in order to guarantee the ethical implementation of our activities.

The Gifts & Invitations and Commercial Agents policies complete the body of rules aimed at preventing risks in the area of corruption and unethical commercial practices.

#### 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 embargoes and trade regulations and has set up export control organizations 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 supports 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 laws and regulations, both local and extra-territorial.

### Green and responsible growth driving economic performance

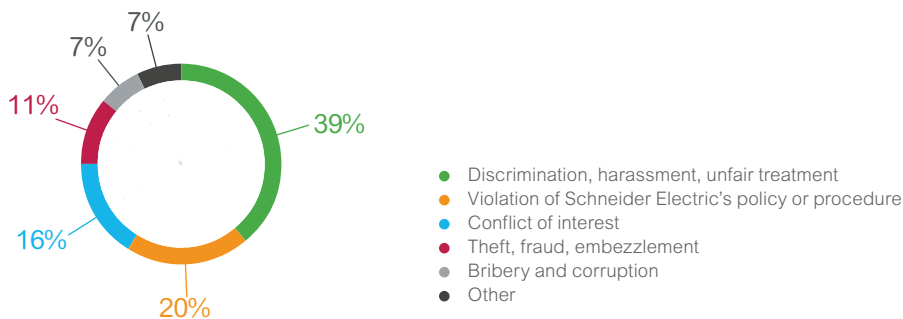
#### Two alert systems to cover all stakeholders

##### The professional alert system for employees: the Red 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 a third-party company and proposes alert categories, a questionnaire, and an information exchange protocol between the person issuing the alert and the person responsible for the internal inquiry. Each alert is studied by the Group Fraud Committee or at least two of its representatives, in order to appoint, if necessary, a two-person team to conduct an investigation, comprised of a Compliance Officer and an investigator from the Schneider Electric Bureau of Investigation or linked to the latter (see "Dedicated teams and organization"). Based on the findings of the investigation, management takes appropriate measures to sanction or exonerate the party or parties involved. Each year, a detailed report with statistics (number and type of alerts by geographic area) is presented to the Audit Committee and to the Group Executive Committee, which review and approve 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.

326 alerts were received through the Red Line in 2018, representing a 26% increase over 2017. The allegations thus received did not turn out to be substantiated and proven violations after investigation.



##### The professional alert system for external stakeholders: the Green Line

In order to cover all its stakeholders, in June 2018 Schneider Electric launched a completely new professional alert system: the Green Line.

This new tool, which is available online and features a simple and intuitive interface, is aimed at all Schneider Electric external parties, suppliers, subcontractors, customers and commercial agents who might be coping with or may have witnessed any unethical situation involving or affecting Schneider Electric. The processing of alerts follows a similar procedure to that of the Red Line.

Two alerts were reported through the Green Line in 2018.

#### Communication and training for all employees

##### Regular communication and a specific campaign

Every month, the Group prepares an internal communication on ethical and compliance issues addressed to all employees, to raise employee awareness about various issues, such as the fight against corruption, but also to present the Group's policies and procedures.

Furthermore, in 2018, a specific campaign was launched under the name of the "business integrity campaign". Rolled out from July to November 2018, it was addressed to Schneider Electric's 137,000 employees. The main actions included: Posters for offices about the internal alert system and the network of local correspondents, e-mailing, internal social media and training programs.

##### Mandatory training for all Group employees

Until 2018, only online e-learning courses on the Principles of Responsibility were mandatory for all group employees.

Modelled on the methodology of MOOCs, the online courses comprise four chapters:

- 1) introduction to *Our Principles of Responsibility* and to the Red program;
- 2) integrity in business activities;
- 3) human rights in the workplace,
- 4) ethical management.

In 2018, two other mandatory training courses were set up:

- To address the implementation of the general data protection regulation (GDPR), specific training was launched to present the major challenges of this new regulation. At the end of 2018, 93% of European employees had completed this training.
- An online e-learning course on cyber security, a major challenge for the Group, provides employees with all the tools they need to protect their personal data and the company's data.

### Special training for the most exposed populations

In 2018, several training initiatives were taken in order to train the populations most exposed to compliance-related risks.

Firstly, an online e-learning course, mandatory for the Sales, Procurement, Finance populations (including Audit and Legal), specifically on the topic of corruption, was launched in April 2018. This training, to be completed every two years, seeks to be an educational component to help not only the most exposed people cope with the risks of corruption, but also the populations who have to prevent or detect these risks. At the end of 2018, 68.6% of the population had been trained.

Furthermore, classroom-based courses were also organized in geographic areas more sensitive to the different challenges linked to ethics and compliance (Brazil, India).

At the same time, more than twenty-five sessions were organized for the "Global Customers Project" teams, who work on the Group's projects. These training programs were targeted at a total of 3,500 employees: 95% have completed this training. Lastly, to raise the awareness of management, Schneider Electric's top 150 received a video specific to the Group's anti-corruption policy, but also on the Anti-Corruption Code of Conduct, presented by Peter Wexler, Group General Counsel and Chief Compliance Officer.

### Communication and awareness-raising tools

The roll-out of the Ethics & Compliance program of Schneider Electric is accompanied by awareness-raising and informational materials:

- An Intranet, updated in 2018, available on the homepage of all employees, contains comprehensive information about the program (processes, teams, key contacts) and the *Our Principles of Responsibility* document, accompanied by the associated global policies, the program's news as well as a tab containing all the links that redirect users to the different training programs proposed by the Group.
- Frequently Asked Questions – FAQs. This tool was introduced following a number of reports written by the managers after presentation of the program and *Our Principles of Responsibility* to their teams.
- Education kits for managers. This tool 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 their own.

### Due diligence and control of the system

#### A customized process of due diligence

The Ethics & Compliance program provides each employee with a method for asking the right questions and seeking out the right people according to two approaches:

- A detailed questioning process allowing the right steps to be taken in delicate situations where necessary. This may be broken down into three stages:
  - 1) Consult the dedicated 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 line manager and/or a member of the department concerned (Legal, Finance, Human Resources (HR), Environment, etc.), or
  - 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 line manager, or
  - 2) Use existing internal departments (Legal, Finance, HR, Environment, etc.), or
  - 3) Contact the Group Fraud Committee via the professional alert system (Red Line, Green Line), accessible via Internet or multilingual telephone line.

#### A regular and permanent control system

- The Ethics & Compliance program is an integral part of the Group's Key Internal Controls, with, in particular, two categories of specific controls that the internal auditors review in subsidiaries, evaluating the degree of maturity and the effectiveness of the program: the Principles of Responsibility and Alert System, and the commercial partners' policy. Whenever an evaluation indicates points of weaknesses, action plans must be set up and monitored by internal auditors.
- Furthermore, the Group's internal audit program includes specific tasks related to the Ethics & Compliance program, or to activities or subsidiaries on which an evaluation of the maturity and effectiveness of the program will be reviewed. In 2018, that was the case, in particular, with an audit on the Principles of Responsibility and the alert system, and an audit on commercial agents.

### 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 and a comprehensive personal data protection policy.

### Green and responsible growth driving economic performance

The European Parliament and Council General Data Protection Regulation (EU) 2016/679 came into force on May 25, 2018. The Company has set up an action plan to align the practices of entities on the new obligations. Numerous actions were undertaken under this plan and in particular, all European employees were offered training; awareness-raising campaigns were carried out by the Group; processing registers were prepared; the online confidentiality policy was updated; the applications review procedure was harmonized and a management and notification process for personal data breaches was developed. This Regulation 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 employees on the subject, an essential condition for developing the trust of its employees and its customers in a digital environment. The implementation of this action plan is periodically monitored by the company's Management with the assistance of the Group Data Protection Officer.

#### Award for excellence

The Group has been selected by The Ethisphere Institute for its 2019 World's Most Ethical Companies index for the ninth year running.

## 2.6: Anti-corruption

### Our commitments

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

The Company has been committed to preventing and controlling the potential occurrence of corruption within its operations for many years now. As recently underlined by the World Bank and the IMF, not only is corruption operating as a strong disincentive to foreign investments or contributing to higher-order crimes, but it also is the first factor preventing poverty reduction. The figures are appalling: businesses and individuals pay an estimated USD 1.5 trillion in bribes each year, which stands for 2% of global GDP or 10 times the value of overseas development assistance<sup>(1)</sup>.

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. Specific training and educational materials have been developed for some functions, such as the Procurement function, the Tender Response and Project Implementation Centers, and the Finance Department.

Schneider Electric also 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 in particular by the professional organization *Cercle Ethique des Affaires*.

The Anti-Corruption Compliance Program is part of the Ethics & Compliance program, presented in section 2.5.

This program has become a full-fledged value-creating subject, whether through the recognition of a management system compliant with industry standards via certification, or by incorporating this subject into key performance indicators of the Schneider Sustainability Impact.

### ISO 37001 compliance

Following the success of the anti-corruption compliance certificates issued by Ethic Intelligence to Schneider Electric's African subsidiaries for their activities on the continent (Schneider Electric Egypt & North East Africa, Morocco, Nigeria, South Africa, and ex-subsidiary Conlog), a new wave of certifications has been launched for the Middle East zone. During the last quarter of 2017, Saudi Arabia and the United Arab Emirates were the first subsidiaries to be controlled and were certified in the first half of 2018.

### Anti-corruption in the Schneider Sustainability Impact

The Schneider Sustainability Impact includes an anti-corruption indicator. This is the online e-learning course dedicated to this subject, for exposed populations as explained in section 2.5. The goal is set to train 100% of exposed populations annually over the 2018-2020 period. At the end of 2018, 68.6% of the population had been trained.

(1) Source: World Bank – Combating Corruption.



## 2.7: Human rights

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

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

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

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

Along the same lines, 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 means all work or services for which the person has not offered him- or herself voluntarily or willingly. Examples include, but are not limited to, human trafficking, slavery, debt bondage and ID retaining.

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

To help us on this journey, we have 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. We have also joined the RBA, an equally important agency for compliance with human rights, sharing these best practices with regards to on-site auditing and monitoring of suppliers' activity, including on forced-labor issues.

## 2.8: Combating tax evasion

During the financial year, no consequence of the Group's activities on this point was identified during the implementation of the appropriate internal control measures.

## Schneider Electric's commitments towards environmental excellence

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## 3.1 Overview

## Introduction

Schneider Electric's environmental strategy is both a reflection and an enabler of its profitable growth strategy, its innovation strategy, and its sheer purpose. This chapter introduces the environmental strategy and describes how core it is to whatever the Group does.

2018 came yet again with confirmed scientific evidences on the speed of climate change, resource depletion and biodiversity losses at an unprecedented pace. The list of evidence is long enough to raise a growing consciousness or more humans, from various countries and age groups. Earth Overshoot Day fell on 1st August 2018 – the earliest date ever – the date at which it is agreed the world's economy has consumed its entitlement of natural resources consumption for the year and has started contracting an "ecological debt". The latest IPCC (Intergovernmental Panel on Climate Change) SR15 report included updated descriptions of climate transformations underway and their visible consequences, as much as refreshed its various decarbonization scenarios and related temperature increases. The likelihood of a world stabilizing in a range of +1,5°C to +2°C will depend on our collective ability to lead a 'Marshall plan' leaving no stone unturned. Business as usual scenarios, as per IPCC, would lead us closer to the much apprehended +4°C to +5°C range.

## Key targets and results

For this section, 8 key performance indicators have been set in the Schneider Sustainability Impact 2018-2020:

Objectives for year-end 2020	2018	2017
1. 80% renewable electricity	30%▲	–
2. 10% CO <sub>2</sub> efficiency in transportation	1.8%▲	–
3. 100 million metric tons CO <sub>2</sub> saved on our customers' end thanks to our EcoStruxure offers	51▲	–
4. 25% increase in turnover for our Energy & Sustainability Services	13.8%▲	–
5. 75% of sales under our new Green Premium program	45.7%▲	38.3%
6. 200 sites labeled towards zero waste to landfill	178▲	140
7. 100% cardboard and pallets for transport packing from recycled or certified sources	61.6%▲	50%
8. 100,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling and take-back programs	43,572▲	–

The 2017 performance serves as a starting point value for the Schneider Sustainability Impact 2018-2020.

▲ 2018 audited indicators.

Please refer to pages 174 to 179 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 133-134 for indicator 1, 134 for indicator 2, 125-127 for indicator 3, 107-109 for indicator 4, 127-129 for indicator 5, 137-139 for indicators 6, 7 and 8).

Years ago, Schneider Electric began considering that the time had come to move away from vague “corporate responsibility” goals and incremental year on year resource efficiency gains. The time has come indeed to be bold and dare to disrupt current models. In the Industry sector, this means a race towards decarbonization and circularity in everything the Group does, with a determination to support the Customers’ endeavors in doing the same. With this in mind, an Environmental strategy for sustained business performance and contribution to the world’s environmental challenges has been structured to allow three forms of “compatibilities” of business development with critical Earth boundaries:

- **+2°C climate compatibility:** the determination to build value propositions, business models and supply chains which are +2°C compatible (i.e. allowing the fast decarbonation of operations and that of the Customers)
- **One-planet compatibility:** the will to decouple our resource consumption from our business growth, the stretch to be as circular as possible (i.e. pushing back “Earth Overshoot Day” towards 31st December).
- **Life compatibility:** the want to design products and industrial processes altering no life, water or biodiversity (i.e. striving to not harm life directly or indirectly in the extended supply chain).

Said differently, Schneider Electric looks at itself and reviews its progress through the lenses of a broader ecosystem: First, of course, how the Group as a company and in its Supply Chain delivers progress within the limits set out above. Second, how Customers are helped to do the same through offers, solutions and services. Third, how Schneider Electric helps the world at large, its cities, buildings, infrastructure, and progresses against the same 3 dimensions (Climate, Resources and Life), through customers and the Schneider Electric offers they leverage.

### Description of risks and opportunities

This environmental strategy aims at both addressing risks and seizing opportunities. Risks and opportunities are addressed by the following environmental transformations:

- **Environmental resource productivity** (e.g. reduced energy and materials consumption) helps both reduce operating costs and reduce risks related to price volatility and resource availability. With strong economic growth in many countries, 2018 saw multiple commodity prices increase drastically. This touched resources such as copper, polyamides and cardboard. On another end, Schneider Electric saw its efficiency efforts and its waste ratios improve.
- **Decarbonization of operations:** with costs assigned today to CO<sub>2</sub> in various parts of the globe (by either regulations, carbon markets, or corporations) in various domains (e.g. electricity, oil, carbon markets and carbon trading schemes, etc.), and expecting this trend to expand, it is critical to target -60% CO<sub>2</sub> emissions by 2050 as per science-based targets. Organizations failing to demonstrate active decarbonization may see their value undermined. Conversely, companies that are successful at decarbonizing their supply chains and business models should be more reassuring business partners for customers and investors alike;
- **Proactive chemical substances substitution** is an opportunity, as an increasing proportion of customers, as well as multiplying standards and norms expect less hazardous substances in products. Remaining ahead of regulations, notably REACH, RoHS (EU and China), California’s Proposition 65, and distributors’ or buildings’ specific standards in this space, is paramount. It is both a responsibility and a way to sustain our access to world markets, and a leadership position. Such substitution efforts also trigger costly processes, requalification efforts, sourcing efforts, and come with some compliance risks in case not fully executed;
- **Circular economy innovations:** an obsession to avoid wastage, and to reuse, repair, retrofit or recycle translates into cost savings. A circular mindset also triggers process innovations and opens the door to new business models enhancing customer intimacy thus loyalty (e.g. take-back and modernization services). High hopes are placed on circularity as a state of mind as it can transform multiple industries for the better.
- **Environmental information & footprint transparency, superior environmental compliance:** more and more customers, green building standards, distributors and electricians prefer offers with strong green credentials. It is both a risk, if one is too lenient in this domain, or an opportunity to harness if an integral part of a deliberate proactive approach. Many building standards, local regulations, mandate or favor offers providing EPDs (Environmental Product Declarations). There is clearly a growing premium assigned to transparency.
- **Site and property environmental excellence:** ill-managed industrial processes can trigger spills and contamination of water, soil and air, and this is clearly a risk for a company as much as for the environment. However, a proactive approach towards site & property environmental risks helps preserve continuity of operations, reduce risks of unexpected legal action and avoid environmental remediation costs. In addition, removal of hazardous and chemicals substances in workshops helps preserve workers’ health.

Other risks and opportunities related to the definition of an Environmental Strategy could also have been detailed: risk and opportunity to tarnish or enhance Employer Value Proposition and brand attractiveness to future employees. We noticed in 2018 the sustained importance for employees deciding to join us, of our commitment to environmental excellence. Additionally, the risks and opportunities of an environmental strategy deal with our reputation with analysts, rating agencies, investors, governments, NGOs, civil society, and overall brand image, depending upon our performance.

### Schneider Electric's commitments towards environmental excellence

#### Environment strategy 2020 and its pillars

Schneider Electric has defined a clear 2020 environmental strategy, defining 15 priority initiatives and related goals across 6 environmental domains, fully aligned with both the company program and the sustainable growth strategy. At Schneider Electric, environmental considerations go far beyond its efforts towards the sustained reduction of its footprint on the planet, as they embed everything the Group does, from strategy, R&D, Manufacturing, to the value propositions to customers.

The 2020 Schneider Electric environmental strategy was defined in 2015, introduced in previous annual reports, and is structured around 6 main pillars: CO<sub>2</sub> neutrality strategy in the extended supply chain, resource efficient supply chain, "Waste as Worth" mindset, environmental performance delivered to customers, circular business models and innovations, increasingly stronger environmental governance (suppliers, compliance and products, etc.)

The 2025-2030 Environmental Strategy is currently being defined, it will leverage the 2020 strategy and improve it in various dimensions.

Briefly introducing the 6 domains of the environmental strategy, the 2018 achievements and key aspirations:

- 1) **CO<sub>2</sub> and resource strategy towards a climate-compatible and planet-compatible growth path.** A CO<sub>2</sub> strategy and its roadmap (with 2035 and 2050 time horizons) have been defined, towards "COP21 and +2°C climate compatibility" with a step-by-step decoupling of the growth journey from climate impacts. The Group has committed to set Science-Based Targets. Furthermore, through its efforts in R&D and EcoDesign, a broad range of products has been designed, along with services, and solutions delivering measurable CO<sub>2</sub> gains to customers, saving millions of tons of CO<sub>2</sub> emissions at their end. Such savings come in addition to our own supply chain decarbonation efforts. In 2018 alone, considering only modernization ('brownfield') projects leveraging our technologies, and with a rigorous and conservative calculation methodology, it was externally verified that Schneider Electric helped saved more than 51 Mt CO<sub>2</sub> through its customers, enabling absolute emissions reductions compared to previous years. Finally, RE100 membership was pursued and at end 2018, the electrical mix of Schneider Electric was ~30% renewable;
- 2) **Building an increasingly more sustainable supply chain.** Resource efficiency remains a clear priority. The present report contains specific sections about Schneider Electric initiatives and achievements towards energy efficiency, reduction of transportation and manufacturing externalities, adoption of green Best Available Techniques in its 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 the SPS/ Schneider Production System framework). On the energy front, leveraging its own solutions and expertise, its sites delivered more than 5 % energy efficiency gains compared to 2017, which is ahead of the ambitions set as typically 10% gain every 3 years;
- 3) **Considering waste as worth.** Schneider Electric drives an "obsession towards zero waste" across its facilities globally, focusing on the largest waste-emitting sites. Waste minimization, reuse, recycling, energy recovery and landfill avoidance have become an integral part of plants and distribution centers' performance scorecards, and constant progress is seen. This year, Schneider Electric is proud to have 178 plants receiving the "Towards Zero Waste to Landfill" designation.

These efforts in the areas of EcoDesign and industrialization also add to its ability to generate less waste and be smarter with resource use;

- 4) **Promoting sustainable value-addition to Schneider Electric customers, leveraging the repowered Green Premium™ eco-label.** A growing proportion of customers value the Group offers' sustainable performance and how they clearly benefit from it (e.g. kWh, CO<sub>2</sub>, water, costs, low toxicity, superior safety, reparability, longer lifespan, access to markets, etc). Previous features of Green Premium until end of 2017 were focused on compliance and transparency. Building on such robust foundations, Schneider Electric repowered its eco-label adding five clear forms of Sustainable value addition, to be spelt out for each offer (products, solutions, services), and much more client-centricity. More than 45% of Company revenues in 2018 were made with Offers already complying with new Green Premium definition.

Innovation also touch the 24/7 available MySchneiderApp features, providing access to digitized environmental information (REACH, RoHS, Product Environment Profile/PEP, End-of-Life Instructions/EoLI);

- 5) **Implementing a circular economy in a variety of ways for Schneider Electric customers' satisfaction.** Schneider Electric circularity expresses itself in many ways. The services help prolong the products' lifetime, and help customers enjoy energy management and automation services using fewer resources, 'Doing more with less', and for a limited Capital Expenditure. The Group also grows its services towards the management of its products' end-of-life, for low and medium-voltage equipment, or UPS (Uninterrupted Power Supply) systems, for instance. Circularity is seen as a magnifying glass helping drive further innovation and value-addition for its customers, as well as resource frugality for the benefit of the planet; Schneider Electric took part and led many multi-stakeholder' consultations in Europe, the US, China and France on this matter. The partnership with the Ellen MacArthur Foundation CE100 initiative on the circular economy helps innovate faster. Schneider Electric was notified at the end of December 2018 that it was worldwide winner of the "TheCirculars" competition, in the Multinational Category by "World Economic Forum / Young Leaders of the World Economic Forum, and Jean-Pascal Tricoire received this world leadership recognition in Davos in early January 2019.

- 6) **Constantly strengthening environmental governance.** Environmental stewardship also progressed in the way Schneider Electric selected and grew its supplier base (more than 1,000 independent assessments, hundreds of field visits and audits, and 155 audits with RBA/Responsible Business Alliance framework and consultants). Additionally, in the way the environmental risks are assessed in the supply chain, and how that is compliant with changing regulations, reported to a variety of external stakeholders and analysts, not forgetting the Group's efforts towards embedding of environmental considerations across other functions' processes, such as procurement, capital expenditures, manufacturing, logistics, acquisition, human resources, etc.

### Organization

At Group level, the Environment Senior Vice-President determines the Group's environmental strategy, covering subjects from the definition of green offers (EcoDesign) and the associated marketing and communication, to environmental actions in manufacturing and logistics. He is in charge of the Group's Resources, CO<sub>2</sub> and Substances strategy.

The network of leaders driving environmental transformations consists of:

- For the design and development of new offers: EcoDesign and environmental managers in each business unit in charge of integrating key environmental issues into the development of offers and product design, and environmental managers in charge of communicating relevant environmental features to customers;
- For the management of industrial, logistics and large tertiary sites: Safety and Environment Vice-Presidents are nominated in each region, with dedicated teams reporting to them. They are responsible for implementing the Group's policies across all sites in their geographical perimeter, including plants and distribution centers, as well as some services sites, national and regional headquarters, commercial entities and R&D centers. In each region, managers coordinate teams across a group of sites (clusters), as well as for each site. These environmental and safety leaders are in charge of reporting on performance as well as coordinating progress plans;
- For logistics: the Logistics Senior Vice-President and his/her teams within the Global Supply Chain Department are in charge of reducing and measuring CO<sub>2</sub> emissions from freight at Group level;
- For countries and commercial entities: environment managers and safety champions are appointed in each country, responsible for local reporting actions where necessary, monitoring regulations, taxes and national opportunities as applicable (e.g. national transcriptions of the WEEE in relation to end-of-life product management, monitoring of RoHS China, etc.), the proactive management of local environmental initiatives, and relations with local stakeholders;
- For the other functions: environmental managers or correspondents, in functions such as: procurement, finance, insurance, marketing, industrialization, security, mergers and acquisitions, sustainable development.

Various governance bodies enable these communities of experts and leaders within the environmental function to meet every month or every quarter, depending on the topics and entities, to ensure consistent adoption of environment policies and standards throughout the Group. To implement these policies, environment leaders coordinate a network of more than 600 managers responsible for the environmental management of sites, countries, product design and marketing.

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

Leading experts in various environmental fields (EcoDesign, energy efficiency, circular economy, CO<sub>2</sub>, etc.) are identified globally. Each year, a process recognizes those individuals who have a specific expertise the company is eager to maintain and grow. Such experts are named Edisons, and there are eight specific domains where such Edisons were identified, one of them being environment. Each year, an Edison Environment is expected to dedicate 10% of his/her time to lead a global initiative related to his/her expertise, such as development of an e-learning course, a new standard, or an innovation.

To educate all employees on environmental issues, and to give them the necessary skills, e-learning modules have been developed on topics such as the circular economy, CO<sub>2</sub> and EcoDesign. Additionally, an Environment Intranet site is accessible by all employees to inform them about our ongoing programs, best practices, results, goals and upcoming deadlines.

On June 5, 2018 on UN World Environment Day, as has been the case for each year over the last five years, Schneider Electric organized its annual "Global Environment Day" event involving tens of thousands of Group employees across hundreds of sites, inviting them to celebrate and to share innovations in the areas of CO<sub>2</sub> emissions reduction and the circular economy, both internal to the Group and external in association with local communities. The tagline of our Global Environment Day was "A Passion for Green Growth", which summarizes how we see the environment at Schneider Electric.

In 2018, environmental performance has also been reported and discussed in a number of other instances:

- Quarterly reviews with Global Supply Chain leadership;
- Quarterly steering committees with business units, discussing progress on EcoDesign, the Green Premium eco-label and product environment stewardship initiatives;
- Bi-yearly review with Finance of climate bond progress, and of environmental provisions;
- multiple ad hoc sessions and presentations in the Group Audit Committee, Board of Directors, Executive Committee, Human Resources Committee and Sustainability Committee.

## Schneider Electric's commitments towards environmental excellence

### 3.2: Climate strategy towards carbon neutrality

#### Description of risks and opportunities

Schneider Electric is strongly aware of climate change and takes an active part in a variety of multi-stakeholder organizations to promote solutions, call for a price to CO<sub>2</sub>, and strengthen CO<sub>2</sub> governance globally.

Schneider Electric knows how much climate change can be a threat and trigger risks for the global economy and population.

The Group also sees the energy transition as a massive opportunity for companies which are "part of the solution" to grow their revenues. Clearly, working to build a low-carbon economy is a wise strategy, and Schneider Electric is on the side of activists in this area.

As far as climate change risks in the form of a possible future cost of CO<sub>2</sub> are concerned, the Group also consider the possible financial impacts on activity, looking both at our operational (scopes 1 and 2) and at our supply chain (scope 3) footprints.

#### Group policy

Schneider Electric has defined a CO<sub>2</sub> strategy and roadmap (with 2035 and 2050 time horizons), towards "COP21 and +1.5°C or +2°C compatibility" with a sustained and step-by-step decoupling of the growth journey from climate implications. First, through its efforts in R&D and EcoDesign, a broad range of products, services, and solutions has been designed, bringing significant CO<sub>2</sub> gains to customers, thus avoiding millions of tons of CO<sub>2</sub> emissions. The Group strives to quantify CO<sub>2</sub> savings enabled by its offers, to demonstrate the benefits of its solutions to customers and investors. Second, Schneider Electric actively works towards the constant reduction of its own CO<sub>2</sub> impacts across the supply chain, from raw materials extraction and manufacturing, to product end-of-life management.

In this COP24 year (2018), the commitments on climate change were renewed, notably :

- Cut scope 1 and scope 2 carbon emissions by 60% by 2050 vs. 2017, in line with the guiding principles of the Science Based Targets initiative. To that aim, the Group will notably switch to 100% renewable electricity and double its energy productivity by 2030 against a 2005 baseline;
- Reduce scope 3 emissions from freight, purchasing, travel and waste, through our industrial transformation programs;
- Deliver CO<sub>2</sub> savings to the customers with EcoStruxure, and quantify CO<sub>2</sub> emissions savings. The Group's target is to enable its customers to save 100 million tonnes of CO<sub>2</sub> from 2018 to 2020.

Schneider Electric also reaffirmed its overarching goal of carbon neutrality in the extended supply chain by 2030, accounting for end-to-end CO<sub>2</sub> emissions and savings throughout the value chain.

In 2018, we also multiplied initiatives, from One Planet Summit joint leadership on the business track, steering close to 100 companies committed to aggressive climate strategies. We joined the Climate Leadership Council in the US, alongside other leading companies.

In 2018, Schneider Electric also carried out the final review of its EUR300 million Climate Bond dedicated to financing low-CO<sub>2</sub> innovations providing more than 10% CO<sub>2</sub> gains compared to reference solutions.

Finally, in 2018, Schneider Electric is one of the 15 companies (out of 4,500+ signatories) to join the Global Compact LEAD initiative "Pathways to Low-Carbon & Resilient Development" to proactively share best practices in sustainable climate strategies.

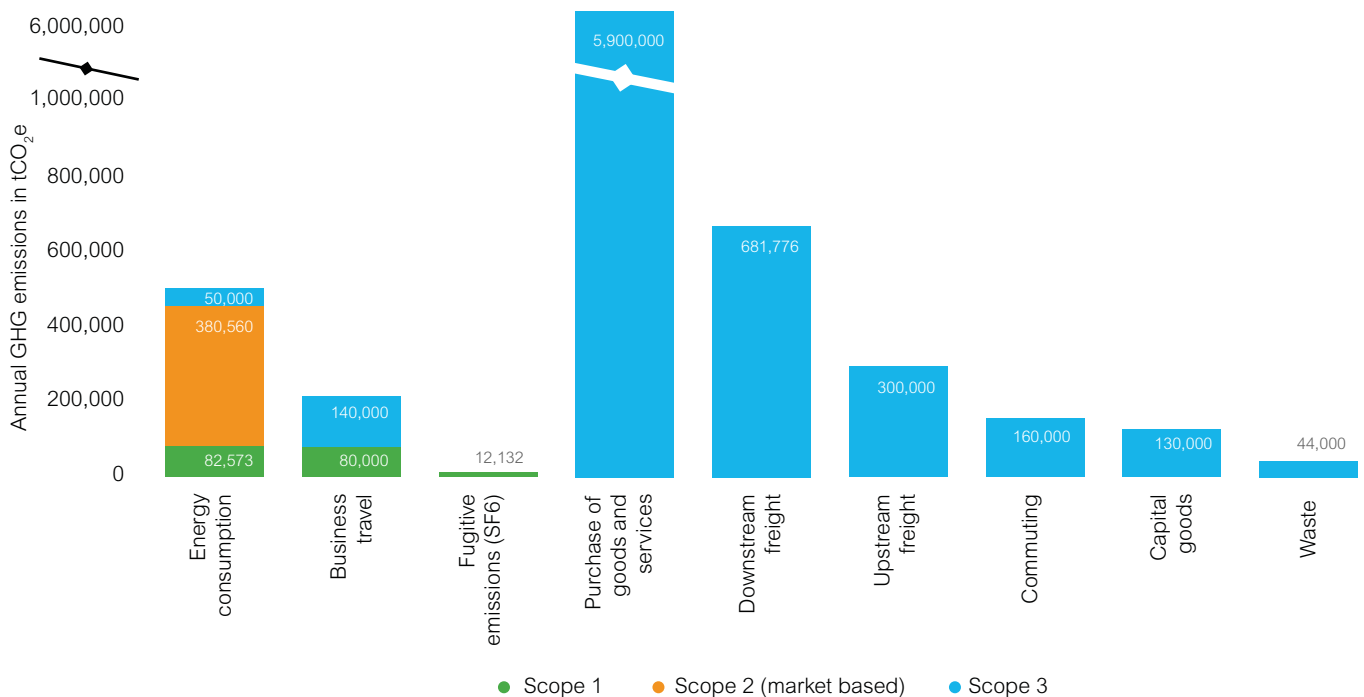
## Due diligence and results

### CO<sub>2</sub> footprint

Schneider Electric updates its scope 1, 2 and 3 carbon footprint annually. First, its “industrial carbon footprint” (i.e. Scopes 1, 2 and 3, as per the Greenhouse Gas Protocol, excluding use and end-of-life of products sold), enables the Group to quantify and reduce CO<sub>2</sub> emissions from its supply chain, adopting a cradle to gate view. Second, emissions induced, saved and avoided by our offers during their use phase and end-of-life are quantified (see next section). Scope 3 emissions represent around 90% of the Group’s “industrial” carbon footprint, mainly from the purchase of raw materials and equipment to its suppliers.

The diagram below represents Schneider Electric’s 2018 “industrial” carbon footprint on scopes 1, 2 and 3, including all greenhouse gas emissions from the upstream activity of all its suppliers to the downstream logistics activity to distribute its products to customers.

Schneider Electric’s 2018 “industrial” carbon footprint



Coverage of reported emissions is 100% for energy, fugitive SF6 emissions, waste, purchases, capital goods, commuting and freight and estimated at 80% for travel (coverage is estimated using a relevant activity indicator for each source of emissions, such as spend for purchases and business travel, surface for energy and capital goods, headcount for commuting and waste, etc.). Upstream and downstream freight emissions include emissions from fuel combustion, upstream of fuel and asset amortization. Schneider Electric reports no GHG emissions on franchises, investments, downstream leased assets, because these emissions are considered not relevant for our activities.

Thanks to Schneider Electric’s energy efficiency and renewable strategies, the Group has achieved significant reduction in absolute terms for CO<sub>2</sub> emissions in 2018 versus 2017: scope 1 and 2 emissions (market-based) due to energy consumption on reporting perimeter have reduced from 501,241 tCO<sub>2</sub>e to 370,993 tCO<sub>2</sub>e, which is an absolute reduction of 130,248 tCO<sub>2</sub>e.

### 100 million tonnes of CO<sub>2</sub> saved on our customers’ end thanks to our EcoStruxure offers

With EcoStruxure, the IoT-enabled architecture, Schneider Electric helps companies become more efficient and reduce their CO<sub>2</sub> emissions. To demonstrate this positive impact, a new indicator has been launched in 2018 to quantify CO<sub>2</sub> savings delivered to customers through the use of Schneider Electric offers. In 2018, Schneider Electric offers enabled our customers to save 51 Million tonnes of CO<sub>2</sub>e.

## Schneider Electric's commitments towards environmental excellence

CO<sub>2</sub> savings are delivered at every layer of EcoStruxure:

- The Connected Products are eco-designed, to improve their efficiency and deliver electricity savings.
- The Edge Control layer gives the capability to manage on-site operations, with day-to-day optimization of energy consumption through remote access and advanced automation.
- The portfolio of Apps, Analytics & Services leverages IoT data and the expertise of the Schneider Electric's engineers to identify additional energy efficiency opportunities, increase the lifetime of assets, optimize maintenance services and boost demand flexibility and renewable electricity.

Schneider Electric has created an innovative CO<sub>2</sub> accounting methodology to quantify CO<sub>2</sub> savings delivered to customers. This methodology enables us to quantify CO<sub>2</sub> induced and saved by our offers at our customers' premises, and emission savings reported externally are net emissions (savings are netted from use-phase induced emissions).

The methodology is designed to become a shared industry standard, its principles are applicable across sectors. Attention was given to define rigorous calculations, with conservative assumptions. The methodology was developed with an expert CO<sub>2</sub> accounting consulting company, Carbone 4. Detailed calculation rules are defined per offer, leveraging sales data, market expertise and technical knowledge.

## Our ambition is to prove

'More Schneider is a better climate':

**100** Mtons CO<sub>2</sub>  
saved through our  
EcoStruxure offers  
from 2018 to 2020

### Reducing CO<sub>2</sub> emissions from the Group's operations

The second pillar of the climate strategy is to reduce CO<sub>2</sub> emissions induced by the Group's operations. By 2030, the ambition is to switch to 100% renewable electricity, use 100% recyclable or reusable packaging, and recover 100% of its industrial waste.

In line with this ambition to decarbonize the supply chain, Schneider Electric joined the Science-Based target initiative in 2016 (an initiative supported by CDP, United Nations' Global Compact, the World Resources Institute and WWF). In line with SBT's guiding principles, the Group commits to cut its scope 1 and 2 emissions (market-based) by 45% in 2035 and 60% in 2050 against a 2017 baseline.

The initiatives to deliver these targets are described in the Eco-efficient manufacturing section.

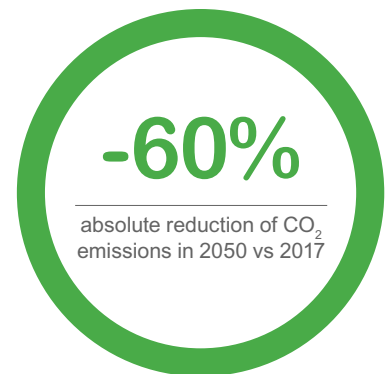
### Internal CO<sub>2</sub> price

To lead the global transition to a low-carbon economy, Schneider Electric calls for policymakers to define robust and predictable carbon pricing for companies, enabling companies to integrate collaterals on climate in their strategy. A high and stable price on carbon will strengthen incentives to invest in sustainable technologies and to change of behaviors.

At Schneider Electric, an internal price on carbon has already been defined to embed CO<sub>2</sub> externally in decision making and strategy. This internal price is used in two ways: first to assess the CO<sub>2</sub> performance and resiliency of the operations and second to define and deliver the CO<sub>2</sub> reduction programs.

First, an internal CO<sub>2</sub> price is used to assess the performance and resiliency of operations. The cost of CO<sub>2</sub> is evaluated externally of industrial activities, looking at CO<sub>2</sub> emissions from energy consumption, SF<sub>6</sub> leaks and road freight per region. For this analysis, a short-term price of 30€/tCO<sub>2</sub> and a long-term price of 100€/tCO<sub>2</sub> are used. This enables measurement of the potential impact of CO<sub>2</sub> pricing on the Group's supply chain and review of progress against the CO<sub>2</sub> reduction targets. Schneider Electric also works to integrate a CO<sub>2</sub> price in its long-term industrial decisions, looking at the future industrial footprint of the supply chain.

Second, an implicit price to carbon has been adopted for a number of years already, through the Group's three flagship programs to reduce scope 1 and 2 emissions: energy efficiency, renewable energy and SF<sub>6</sub> leaks reduction. These programs are evaluated against a conventional price of CO<sub>2</sub> of 30€/tCO<sub>2</sub>, to assess whether the investment and reduction efforts are in line with the cost of CO<sub>2</sub> externally. Schneider Electric views internal CO<sub>2</sub> pricing as a useful tool to reinforce its governance and external commitments on CO<sub>2</sub>.





### Towards carbon neutrality

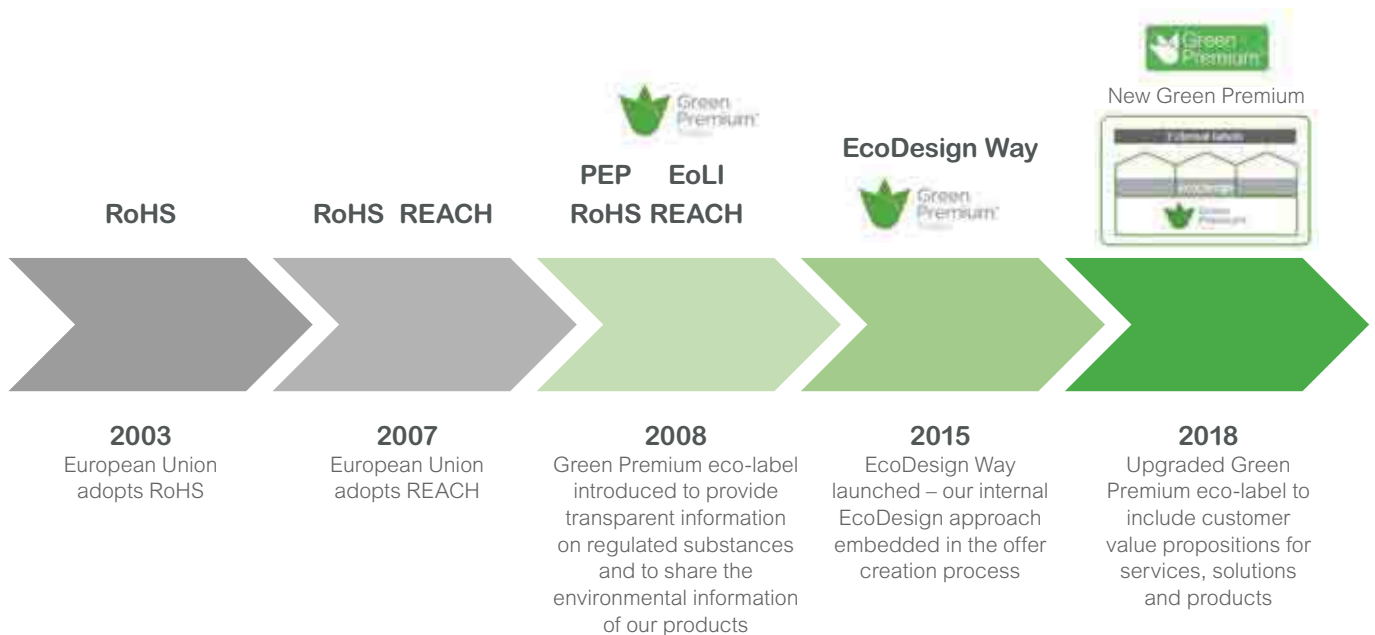
Schneider Electric's commitment is to achieve carbon neutrality in its extended supply chain with a full end-to-end view, looking at the "internal" CO<sub>2</sub> emissions but also at the upstream emissions of its suppliers and downstream emissions of its customers using the Group's technologies. We believe that adopting an "end-to-end" analysis – looking both at induced and saved CO<sub>2</sub> emissions – is necessary to have a full view of a company's impact on climate change and levers of action.

At Schneider Electric, energy management, automation and software are combined to deliver energy savings to customers. With the carbon neutrality commitment, the Group wants to demonstrate that CO<sub>2</sub> savings delivered to customers offset CO<sub>2</sub> emissions induced in its supply chain to manufacture and install its technologies. Overall, the objective is to demonstrate that Schneider Electric is a "positive impact company" and that its solutions are part of the solution to climate change.

Starting in 2018, a major innovation has been launched: the Group is reporting externally how much CO<sub>2</sub> its offers enable customers to save. The ambition is to demonstrate that its solutions will enable 100 million tons of CO<sub>2</sub> savings over 2018 to 2020 period. A detailed methodology guide will be published in 2019, to enable other companies to join this effort to disclose CO<sub>2</sub> impact.

### 3.3: Environmental excellence in offer design and for customers

In 2018, Schneider Electric rolled out its new Green Premium eco-label, aimed at bringing greater environmental added value to the entire offering portfolio (products, services and software), with an approach that is even more customer-focused, and takes the specific characteristics of each market segment into account. Based on its program launched in 2008, which is historically focused on its product offering, Schneider Electric is now responding to the increase in the number of environmental regulations and the expectations of its customers, who are increasingly demanding in terms of environmental performance.



At the end of 2018, Green Premium income for the Product offering was 45.7%, representing €6.59 billion in revenue from Green Premium Products.

The EcoDesign Way solution was implemented by 34 product offering creation projects. 80.4% of revenue from products with a type III environmental declaration (PEPecopassport).

### Description of risks and opportunities

With an increase in the number regulations worldwide, environmental supply risks are transitional but also reputational in nature. Conversely, this paves the way for real market opportunities, with customers becoming increasingly demanding with respect to the environmental performance of products and solutions, and the digital transformation of information.

### Group policy

The group's environmental excellence policy is structured around the following components of its Green Premium program:

- EcoDesign and life cycle analysis
- environmental declarations
- hazardous substances
- resource benefits
- product end-of-life management

## Schneider Electric's commitments towards environmental excellence

### Due diligence and results

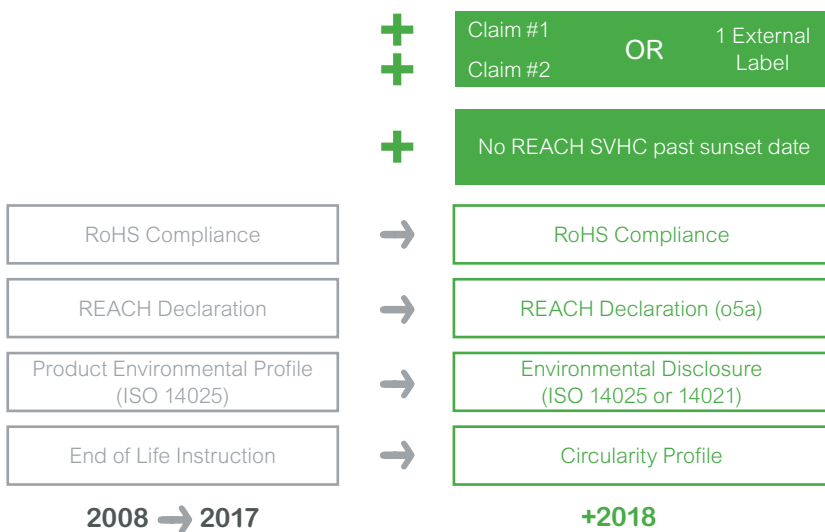
#### Green Premium™

The new Green Premium program is structured around five value propositions:

- a **regulatory compliance and** environmental transparency base, with products that comply with REACH and RoHS regulations, an environmental declaration, a circular profile, a design for new offerings that is in line with the EcoDesign Way, and Schneider Electric's EcoDesign process that has been reviewed and validated by UL against the ANSI/IEC62430 (Environmental Conscious Design) standard.
- at least **two additional environmental performance attributes**, chosen from a list based on three pillars: well-being, resources and circular performance,
- or the obtaining of an **external label**



Thus, since 2018, Schneider Electric products must satisfy a greater number of criteria to obtain the Green Premium label. These additional criteria are chosen by business lines from a list of roughly twenty criteria that provide an environmental benefit, correspond to a customer need, are measurable or refer to a regulation or standard, and are differentiating.



The launch of the new Green Premium program focused on the Product offering in 2018. It will be extended to services and software beginning in 2019, with a view to reaching 75% of revenue generated from Green Premium Products, Services and Software.

This increase in the criteria to earn the Green Premium label has therefore resulted in a decrease in the number of products that comply with these new criteria. For example, at the end of 2017, more than 80% of revenue generated from products complied with the former Green Premium requirements, whereas 38.3% met the new criteria at the beginning of 2018.

Even though Schneider Electric had anticipated this drop resulting from the increase in Green Premium criteria, the products' environmental performance remained unchanged, since the four "historic" Green Premium criteria served as the foundation for the extended Green Premium program, and were augmented by three additional requirements: discontinuation of substances of very high concern (SVHC) after the sunset date, two attributes chosen by business lines from the Green Premium list or an external label.

Green Premium information is available, for each commercial reference, in the technical data sheet of the online catalog, in the mySchneider mobile app and by using the "Check a Product" search engine. The additional Green Premium attributes will be online starting in mid-2019, as part of the "One Offer" transformation program.

### Product EcoDesign Way

Schneider Electric's EcoDesign method, deployed on product development projects of more than €300,000, is the tool that enables the Group to deliver Green Premium environmental performance, in terms of resource efficiency, well-being and carbon footprint reduction. In 2018, Schneider Electric reinforced the training of project teams and launched discussions to reflect on how to set off the EcoDesign approach earlier in the process, in order to place environmental impact consideration at the heart of its innovation approach.

### Materials and Substances Directive

The Schneider Electric strategy for materials and substances used in products is reflected in a globally deployed Group internal directive, based on local and international regulations on hazardous substances, the ban on halogenated flame retardants in plastics, the increased use of recycled or bio-sourced plastics, and, more generally, the promotion of the use of non-fossil and recycled materials when possible.

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

The Schneider Electric Materials and Substances Directive sustains and grows innovation in plastics and new materials in connection with the Ellen MacArthur Foundation, and a number of other multi-stakeholder materials innovation initiatives. At the earliest stage of the EcoDesign Way, targets for recycled, reground and bio-sourced contents are specified accordingly. Schneider Electric has committed to doubling the pre- and post-consumer recycled plastic content of its products by 2025 (worldwide base and 2017 reference).

### REACH

Since 2008, Schneider Electric has applied the European regulation REACH (EC 1907/2006) to its entire global product portfolio, by anticipating the replacement of substances of very high concern (SVHC) subject to authorization (SVHC of Appendix XIV of the regulation), thus exceeding European regulatory requirements. Lastly, Schneider Electric is one of the first industrial players to have implemented the change in interpretation of Article 33, which no longer requires manufacturers to declare the presence of SVHCs according to the total weight of the article, but instead by the weight of the individual component. Schneider Electric has also strengthened its communication on the conditions of use information for its products containing SVHCs.

### RoHS

Since 2005, Schneider Electric has implemented the RoHS directive (2011/65/EU) in all countries where it markets its products.

The RoHS Directive is intended to eliminate the use of certain hazardous substances in electrical and electronic equipment.

By deciding to eliminate these substances from all its products, whether or not affected by the directive or sold on the European market, Schneider Electric has exceeded the directive's requirements.

New substances (four phthalates) have been added to the RoHS regulation (effective July 22, 2019). We have therefore launched replacement plans on our product lines.

As with REACH, the Schneider Electric RoHS reporting process has been audited and validated in 2017 by UL against the EN 50 581 standard.

### WEEE

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 its products are sold.

### California Proposition 65

To comply with the new provisions concerning labeling products that expose users to cancer or cause reproductive harm, in 2018 Schneider Electric began the new labeling on all its products sold in the United States.

## Schneider Electric's commitments towards environmental excellence

### 3.4: Eco-efficient manufacturing

#### Description of risks and opportunities

Eco-efficient manufacturing contributes to the fight against climate change by reducing the demand on increasingly scarce raw materials while protecting the health of those manufacturing its products and solutions.

Environmental risks related to manufacturing include soil, water, and air contamination. For instance, release of hazardous substances can be harmful for fauna, flora, and human health, as well as disrupt continuity of operations and tarnish reputations. Additionally, resource intensive processes increase the cost of goods sold, especially as nations implement tariffs and change their trade strategies and policies. Not only can costs increase, but delays and shortages in the availability of these materials can result in lost customers and lost business opportunities. The risk extends beyond the goods themselves to the energy a facility relies on to maintain production. Grid reliability and cleanliness of fossil fuel-based energy pose a threat environmentally and are subject to additional costs as carbon taxes become implemented. Facilities themselves are also at risk of acute and chronic climate events which can disrupt the supply chain and endanger lives. By using lean and clean eco-efficient operations, Schneider Electric can out-perform our competitors and avoid numerous risks.

In their own fight against climate change, Schneider Electric's customers need more eco-efficient and digital products to monitor, manage, analyze, and visualize their energy, environment, and sustainability performance. The Group offers products, software, services, and solutions to help companies manage these risks and deliver performance.

To reduce its carbon footprint in line with COP21 commitments, and to increase its competitive advantage, Schneider Electric needs to improve efficiency in its own sites.

By using its own products, the Group reduces its energy usage and bill, reduces its GHG footprint and provides more carbon efficient products to its customers, reducing risk from rising energy costs and carbon costs in the supply chain. To demonstrate this commitment of improving its efficiency to the customers, Schneider Electric has launched a Smart Factory initiative to implement EcoStruxure and drive eco-efficiency in its facilities. Certain facilities have been designated as showcase facilities such as Le Vaudreuil facility, which was designated as one of the nine 'best factories in the world' in 2018 by the World Economic Forum.



Le Vaudreuil was named one of the 'Best Factories in the World' by the World Economic Forum<sup>(1)</sup>, in part because of its operational eco-efficiency and the use of Schneider Electric's EcoStruxure solutions.

#### Group policy

Schneider Electric continuously works toward a greener supply chain to protect the environment and decouple its activity from the consumption of natural resources. These ambitions are embedded in its supply chain transformation named "Tailored Sustainable Connected supply chain 4.0" (TSC 4.0), as one of the pillar called "Care for People and Planet". Flagship programs include delivering energy efficiency with the EcoStruxure solutions, powering its facilities with renewable energy, minimizing its landfilled waste through the Towards Zero Waste to Landfill (TZWL) program, sustainably sourcing its cardboard and pallets for transport, and reducing CO<sub>2</sub> emissions generated by transportation. The Group also partners with its suppliers to extend the environmental ambitions.

(1) <https://www.weforum.org/press/2018/09/europe-asia-lead-the-way-to-the-factories-of-the-future/>.

A number of policies related to eco-efficiency, including our overall Group environment policy, which encapsulates our key guiding principles concerning the environment, resource efficiency, climate change, etc. are available. Regarding eco-efficient manufacturing, it is the Group's goal to:

- minimize the environmental impact of its facilities, especially by reducing the consumption of natural resources and the generation of waste and emissions related to Company activities;
- implement environmental 'Best Available Techniques (BAT)' across its processes and activities;
- operate in compliance with all applicable environmental regulations, and proactively collaborate locally when required;
- engage its employees, suppliers and other key stakeholders in its continuous improvement process.

### Due diligence and results

#### 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 over 10 years, the Group has certified all industrial and logistic sites comprised of more than 50 employees within 2 years of their acquisition or creation. Starting in 2010, all large tertiary sites (more than 500 employees) were also included in the certification process. 253 sites are certified ISO 14001 as of the end of 2018, representing approximately 71% of the group scope (based on the share of site surfaces).

ISO 14001 certification enables to define and sustain robust environment governance in sites, fostering continuous improvement to deliver environmental performance. Through the ISO 14001 program, sites also thoroughly evaluate environmental risks and potential impacts and identify mitigation strategies. The combination of preventive and corrective action plans required under the standard ensures that environmental risks are well managed and that potential non-conformances are quickly identified and corrected. Finally, 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.

The Group's environmental reporting scope and targets are based on all ISO 14001 sites. Environment reporting metrics are below, as shown in the table on pages 184-186:

- energy consumption, and percentage of renewable electricity;
- scope 1 and 2 CO<sub>2</sub> emissions (generated by energy consumption and SF<sub>6</sub> emissions);
- amount of waste produced, percentage of waste recovered and number of sites achieving "Towards Zero Waste to Landfill" internal label;
- consumption of water;
- VOC emissions (Volatile Organic Compounds);
- headcount (in full-time equivalent) in ISO 14001 sites and included in the environmental reporting.



#### ISO 50001 certification to drive energy excellence

Schneider Electric also leverages ISO 50001 certification to drive energy excellence, focusing on the highest energy-consuming sites. ISO 50001 certification is complementary to ISO 14001 certification, and enables to define and sustain a robust energy governance. With the support of this certification, sites are equipped to understand and reduce their energy footprint. End 2018, 168 sites were certified ISO 50001.



#### Reduction of SF<sub>6</sub> emissions

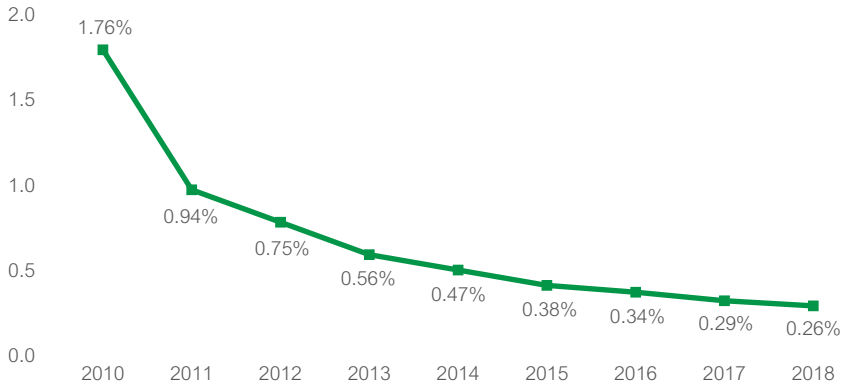
All Schneider Electric manufacturing plants and R&D laboratories handling SF<sub>6</sub> gas in their processes are managing the reduction of SF<sub>6</sub> emissions during the different phases of their activities. Notably, the seal testing processes of the products are mainly done with helium instead of SF<sub>6</sub>. This method ensures that no emissions are coming from non-compliant enclosures during the production time.

The SF<sub>6</sub> leakage rate is still decreasing: from 4% in 2008, the global rate was 0.26% by end 2018. This SF<sub>6</sub> leakage reduction enabled savings of 1,690 tons of CO<sub>2</sub> equivalent in 2018 vs. 2017.

## Schneider Electric's commitments towards environmental excellence

A worldwide community of SF6 experts is sharing best practices for processes, including procedures, equipment and training. Thanks to this global activity and to the commissioning of efficient equipment, Schneider Electric is heading towards the 0.25% target set for 2020.

SF6 leaks reduction trend



### Energy Action program & Smart Factory

In general, Schneider Electric sites are low consumers of energy, compared with other industries, because of the mainly “discrete” and “assembly” nature of its industrial processes. Around 6% of its “industrial” carbon footprint comes from the energy consumption of sites (according to the latest carbon footprint on scopes 1, 2, 3 from upstream suppliers to downstream distribution). Despite this low footprint, Schneider Electric wishes to be the benchmark in the reduction of energy consumption, using its Power and Building EcoStruxure solutions to drive energy efficiency and CO<sub>2</sub> reduction.

The Group demonstrates this commitment by being a member of EP100 (Energy Productivity 100). The target is to double energy productivity by 2030 against 2005 baseline, meaning double the economic output from every unit of energy consumed within 25 years.

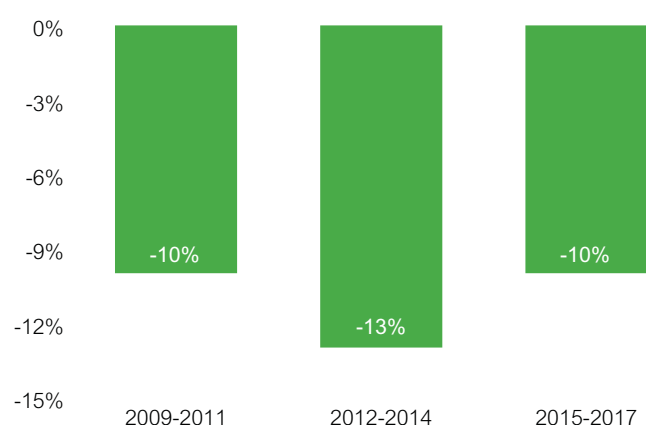


To support its ambition, Schneider Electric published a Global Energy Policy in 2016. This policy sets 3 objectives:

- Reduction of the operations' energy intensity, sustainably decoupling energy consumption from activity growth
- Reduction of the energy-related CO<sub>2</sub> intensity, and CO<sub>2</sub> footprint in absolute terms, in line with the Group's commitments against climate change
- Adoption of Schneider Electric's own energy management and automation solutions wherever possible, to showcase its EcoStruxure Solutions for customers and business partners, and help embark them onto an energy excellence journey

Schneider Energy Action program uses site energy experts along with Schneider Electric's Energy and Sustainability Services team to report and analyze energy consumption, to identify energy savings opportunities and to deploy actions. Since 2005, Schneider Electric has fixed annual objectives for energy efficiency each year, as part of the Schneider Energy Action program. The Group has met or exceeded its energy efficiency goals during the past 3 company programs (2009-2011, 2012-2014 and 2015-2017), by achieving 10%, 13% and 10%, respectively, totalling over 30% reduction over the past 9 years.

### Energy efficiency performance delivered with Schneider Energy Action



With its Smart Factory program, Schneider Electric leverages the power of its EcoStruxure™ architecture to deliver the energy efficiency trajectory, and use its own industrial and tertiary sites as showcases for the customers and business partners. The 3-layer EcoStruxure™ architecture for Power and Building has been implemented in selected sites across regions, leveraging physical assets such as energy meters and sensors, then an “Edge control” layer (PME for Power Monitoring Expert) which in each site aggregates and helps analyze the energy and power profile, and lastly the Advisor cloud and analytics layer to help monitor and analyze.

Global, regional and site energy reporting is delivered with Resource Advisor software suite, part of Schneider Electric EcoStruxure™ platform. Resource Advisor provides a data visualization and analysis application that aggregates volumes of raw energy data into actionable information. As a cloud-based software as a service (SaaS) model, it provides reduced solution costs, increased data storage capacity, and a flexible and mobile energy solution enhanced by Schneider Electric expert services.

The 2018-2020 company program includes the following objectives:

- reduction of energy consumption by 10% over 3 years compared to 2017;
- deployment of certification for energy management systems in accordance with standard ISO 50001 in all sites consuming over 5GWh per year;
- identification of opportunities to reduce energy consumption in all sites as a result of the energy action audits;
- promotion of renewable energy adoption on sites (mainly solar), integrating Schneider Electric solutions, and purchasing renewable energy when it is available locally.

At the end of 2018, this program enabled the following achievements:

- 5.8% reduction in energy consumption compared to 2017 was achieved (climate and level of production standardized) for the 225 sites with the highest consumption, covering 76% of the total energy consumption published by the Group;
- 168 sites are ISO 50001 certified;
- about EUR4.3 million and 58 million kWh were saved in 2018 compared to 2017 baseline, thanks to the 5.8% energy savings;
- about EUR10.7 million was invested, of which EUR10.2 million in capital costs and EUR0.5 million in operating costs.

In addition, many initiatives and awareness campaigns are implemented internally to empower the employees in our CO<sub>2</sub> journey. The objective is to improve understanding of the short and long-term benefits of energy efficiency and renewable energy actions.

### 100% renewable electricity by 2030

In 2017, Schneider Electric joined RE100 and committed to source 100% of electricity from renewable by 2030, with an intermediary target of 80% by 2020. In 2018, the Group sourced 30% of electricity from renewable sources, up from 2% in 2017.

Many benefits are seen from this commitment. First and foremost, going green is deeply aligned with the strategy. Schneider Electric wants to be part of corporate actors who shape the future energy landscape, its own sites acting as “Prosumers” in the electricity grid. Second, renewable sourcing is an important pillar to drastically cut CO<sub>2</sub> emissions from its operations, following a 2°C trajectory in line with Science-Based Targets. Third, because it makes good business sense. Renewable supply enables in many cases the delivery of savings on its electricity costs. It is also a way to diversify energy supply risks, and reduce exposure to the volatility of market prices. Also, in some developing countries, microgrid technologies coupled with renewable can enable the securing of power supply and reducing downtime risks. Four, because the Group wants to demonstrate the value added of its own technologies and solutions, by showcasing EcoStruxure Grid IoT architecture in its own sites. Schneider connected inverters have been installed, MCCBs and transformers to connect onsite solar panels to the grid, and use the energy and microgrid software to manage energy production and consumption. Schneider Electric also leverages the expertise of Energy Sustainability Services consulting teams to deliver this transformation.

### Schneider Electric's commitments towards environmental excellence

Within a few months, the renewable commitment has deeply transformed the electricity sourcing strategy. To deliver its target, the Group will leverage 4 complementary tools: green tariffs, renewable certificates, power purchase agreements and onsite generation. For instance, in China, 6 new solar onsite capacities have been commissioned in 2018, that are expected to produce over 2,000 MWh of renewable electricity per year.



Solar onsite power station in Schneider Electric factory in Vietnam.



#### Freight and logistics CO<sub>2</sub> reduction

Schneider Electric is a worldwide company located in more than 100 countries. Thus, a robust transport plan has been set up to connect its factories and distribution centers as well as to deliver to its customers. In 2018, 2,44 M tons of goods were shipped (+3.3% vs 2017), 78% by road freight, 19% by ocean freight, and 3% by air freight (e.g. for non-local time-sensitive shipping and for some electronic products that are sensitive to ocean weather conditions). The related CO<sub>2</sub> emissions are part of the scope 3 emissions of the Group carbon footprint (following GHG protocol) as this activity is performed by transport suppliers. From 2015 to 2017, we succeeded in reducing CO<sub>2</sub> emissions intensity from transport by 10%.

Starting 2018 we set up a new 3 years company target on CO<sub>2</sub> transport emissions reduction, with the ambition to achieve a reduction of 10% by 2020 v/s 2017. Annual 2018 performance compared to 2017 is an increase of transport CO<sub>2</sub> emission by 1.8 %. The 2018 result is behind the target of 1% reduction due to significant continental air freight shipment activity to support activity growth.

Regarding intercontinental freight in 2018, CO<sub>2</sub> emissions from air and sea transport decreased by 3% versus 2017. Schneider Electric is reaping the benefit of a better container loading factor 63,4% vs 60.8% in 2017 as well Q3 and Q4 air reduction versus 2017 same period.

Regarding continental freight in 2018, CO<sub>2</sub> emissions from road and air domestic modes increased by 12,4%.

To continually improve CO<sub>2</sub> emissions performance and the quality of the reporting, Schneider Electric is contracting with a third-party provider to standardize CO<sub>2</sub> emissions reporting, with a worldwide coverage of all transport modes. Implementation is scheduled in H1 2019. The methodology is certified by Bureau Veritas.

The collaborative work to reduce CO<sub>2</sub> emissions with the Group's forwarders will continue, mainly by optimization of the transport footprint and piloting advanced low carbon transportation technologies e.g. electric, hybrid vehicles. Some of the evidence of Schneider initiatives to mitigate the transport CO<sub>2</sub> emission impact:

- Brazil, partnership with DHL using electric vehicles to deliver customer 100km around Cajamar distribution center
- Rail trucks from France to Shanghai to replace air mode
- Singapore, new electric service vehicles reinforcing the battle against climate warming

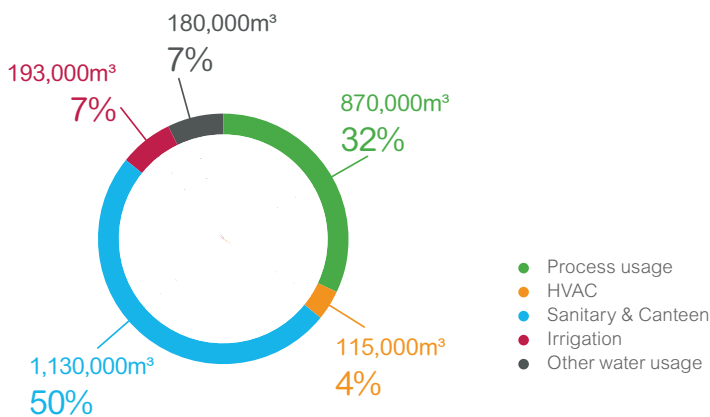


### Water consumption

Due to the nature of most of our industrial processes (manual and automatic assembly), water consumption is not generally a critical resource for Schneider Electric, and we have a minimal impact on water quality. The topic was considered not very material by both internal and external stakeholders during a recent materiality analysis. However, 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.). Additionally, the Group participated in CDP water 2018, which reconfirmed the low water risk for Schneider Electric.

At the Group level, water is primarily used for cooling and sanitary purposes and, in a few select sites, for processes such as surface treatment. Water drawn for the sole purpose of cooling and immediately released without alteration is also monitored in a separate reporting. For industrial water use, water discharge is subject to appropriate treatments to reduce pollutant potential and subject to a monitoring plan. The diagram below presents the breakdown of the Group's water consumption per usage:

#### Water usage



Schneider Electric's ambition is to reduce water intensity (in m3 of water consumption per € of turnover) of 5% in 2020 versus 2017. The water consumption program is regionally led, with a primary focus on sites with high water consumption and those within severely stressed water areas. In 2018, water consumption intensity was 22.8 m3/head and 105 m3 / M€ of revenue, a evolution of -2.8% versus 2017 baseline.

### Conditions of use and release into the soil

Virtually all Schneider Electric sites are located in urban or industrial areas and do not affect any notable biotopes. None of the Group's businesses involve extraction or land farming. In 2018, Schneider Electric manufacturing sites conducted their annual review of pollution risks as part of ISO 14001 monitoring. No new issues were reported in 2018. Hazardous materials are systematically stored, handled and used in compliance with regulations and with appropriate pollution protection mechanisms. As part of the Towards Zero Waste to Landfill program, additional focus was made on hazardous waste, with efforts to eliminate, substitute or improve treatment.

### Discharge into the water and air

Because Schneider Electric is mainly an assembler, its discharge into the air and water is very limited. Mechanical component production workshops are carefully monitored, as part of ISO 14001 certification. Discharges are tracked locally as required by current legislation. No spills or discharges were reported in 2018.

Emissions of NO<sub>x</sub> and SO<sub>x</sub> and particles into the air are monitored at the site level according to their heating activity; monitoring of these emissions is verified via ISO 14001 audits. Emissions are monitored by site managers with respect to the thresholds defined in local legislation. These emissions are not consolidated at Group level.

VOC (Volatile Organic Compounds) emissions have been identified as material at Group level and are therefore included in the Group's reporting. VOC emissions are primarily linked to production. VOC kg and VOC kg/person decreased from 6.2 kg/p in 2017 to 5.8 kg/p in 2018, with a similar headcount compared to 2017. Schneider Electric is committed to prevent adverse health and environmental impacts from VOC emissions, and for this works to reduce VOC emissions from industrial activities. We engage with each of our Industrial sites that contribute to most VOC emissions, and that together concentrate over 80% of the group's VOC emissions, in a Pareto law approach. For these sites, our environment, health & safety and industrialization teams join hands, and do actively collaborate to ensure 'conditions of use' are strictly adhered to, and health and environmental risks are known and getting mitigated. Such top VOC-emitting sites also investigate opportunities to reduce and phase-out concerned chemicals from industrial processes wherever possible. Schneider Electric is committed to reducing VOC emission intensity by 10% every three-years.

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.

### Schneider Electric's commitments towards environmental excellence

#### Noise, odors and light

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

#### Environmental risk management and prevention

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

On this topic, a number of initiatives are in place, and major ones which were again executed in 2018 can be thrown light on:

- The Integrated Management System (IMS) covers the Group's supply chain sites (plants, distribution centers, large offices) and hosts ISO 14001, ISO 50001, ISO 9001, and OSHAS 18000/ISO 45001 compliance management systems. Each site is audited periodically, either externally by Bureau Veritas (every 3 years), or internally. Such a program is a key pillar towards robust environmental governance;
- The CLEAR program (Company-wide Look at Environmental Assessment and Risk Review) was successfully rolled-out, mapping more than 250 industrial sites and their historical and current potential environmental risks, addressing those in a systematic manner;
- periodical environmental risk and provisions reviews are done locally with Finance and Legal function,
- risks and mitigation actions are presented to the board's Audit Committee,
- Schneider Electric company-wide risk repository reflects its biggest environmental risks (on suppliers, products, sites, customer projects fronts),
- as part of mergers, acquisitions and disposals, thorough environmental due diligence of sites are conducted where chemicals are or have been used. Any environmental risks or liabilities identified are addressed through proper risk management activities.

Historical environmental liabilities are managed 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 addition, we use third-party services to assess each of our key sites "risk profile", in relation with a certain number of external risks such as fire, earthquake, flooding and other natural disaster events. Through this process and our Business Continuity Planning efforts, Schneider Electric endeavors to gauge related risks and anticipate possible steps which would be required. With 200+ plants globally, the footprint is balanced geographically. The nature of the Group's manufacturing processes (mainly assembly) allows rebalancing of manufacturing lines in a fairly prompt manner, if needed.

During 2018, no new material environmental impacts were identified. Furthermore, no Schneider Electric sites are Seveso classified.

### 3.5: Circular economy

#### Overview

The circular economy concept continued to gain further momentum and importance in 2018.

Schneider Electric has already been in the circularity space doing for years, with activities like servicing, repairing and recycling equipment. Further, a 360° look at how "circular" allows the Group to identify new avenues for innovation and growth in everything – from designing new offers, sourcing materials, manufacturing, serving customers and managing a product's lifecycle.

#### Description of risks and opportunities

The risks Schneider Electric continues to see are around the perception of 'one size fits all' for circularity, the temptation to see it through a waste/recycling lens and the focus on developing the related guidelines/governance and standards based on this perception.

- Product durability versus shorter-term waste loops: all resources are not equal in their thermal, mechanical or electromagnetic profiles. For the industrial sector, the biggest impact of the circular economy will come from the promotion of reparability, upgradability, "retrofitability", extension of lifespan and of related "product second- and third-life services". Schneider Electric's products are highly technical in nature with a long lifespan and are highly unlikely to end up as ocean plastic waste, yet a risk that the emerging regulations may be too "resource/waste centric" is seen. To meet quality and safety expectations, and adhere to stringent electric and electronic equipment standards, recycled materials are sometimes not available in either quantity and/or quality. The Group actively advocates sector-specific approaches to the circular economy.
- Ensuring the safety of people and assets through qualified and certified services: while promoting services to extend the product life, Schneider Electric grows the ranks of certified experts on its products (its thousands of Field Services Representatives). Leveraging the circular economy, there is a fantastic opportunity to enable more repair, retrofit, and recycling services, provided concerned product categories are adequately maintained and serviced by qualified and certified experts.

Schneider Electric has been part of task forces on Circular Economy playing leadership roles in multi-stakeholder dialogues in the EU, China, and the US to discuss opportunities and hurdles: regulations, environmental impacts, protection of customers' interests and job creation. For example, the Group is active in France's Circular Economy Roadmap and engaged in China with MIIT on circular.

Strategy, leading GIMELEC, FIEEC, IGNES, ORGALIME discussions for our sector on circular economy, publishing articles and speaking at conferences (EPC, Gartner, WEF, SCM World, peer-to-peer, EthicalCorp among others).

Opportunities to leverage the circular economies are seen, both externally with the customers as well as internally in the operations. Schneider Electric's value propositions have long delivered resource efficiency, allowing Customers to "Do more with less".

Schneider Electric deeply ingrained belief in the circular economy helps create a win-win-win-win ecosystem: good for planet, good for customers (lower TCO, lifespan of assets, etc.), good for the Company as a business (customer intimacy, stickiness, etc.), good for government & territories (local & skilled jobs creations, with services, design, finance, etc.).

### Group policy

For Schneider Electric, circular economy is an all-encompassing strategic transformation, rather than an isolated initiative (such as incorporating recycled materials in some products). It is core to the lasting success and touches everything Schneider Electric does. The circular transformations are detailed in 3 main axes covering the Group's entire value chain:

- Circular Resources and Product Development: starting at the product design phase to minimize resource usage and maximize reuse, recycled resources and recyclability.
- Circular Supply Chain: zero-waste and circular excellence in operations and sites with strict targets on waste reduction, reuse and recovery..
- Circular Business Models and Value Propositions for customers: through circular capabilities such as local models of reuse, retrofit, repair, refurbish, take-back and by unleashing the potential of IoT, connecting and digitizing products, enabling machine-to-machine connections (predictive maintenance, performance optimization, leasing, pay-per-use, performance contracting), we simplify the lives of our customers and diffuse a "one-planet compatibility" aspiration

These 3 transformational axes are underpinned by the active engagement and participation of employees with training programs, idea generation and processes and tools in place.

### Due diligence and results

#### Circular business models and value propositions:

Most of Schneider Electric's new products are digital, connectable, ensure full product lifecycle management and predictive maintenance and guarantee optimum performance, enabling us to move towards customer-intimate models like subscription, performance contracting and leasing.

The first focus, before considering end-of-life, is to prolong the lifespan of products. These solutions, using up to 70% less materials, enable pull-through and constant payback: increased customer stickiness and long-term relationships.

The underlying bulwarks of such value propositions to customers are:

- Focus on traceability – Assets under Management > 1.8 million YTD October 2018, growing at 25%/year
- Worldwide network of specialized centers providing local circular solutions and services

#### Circular resources and product development:

Mandatory criteria for circularity has been embedded in our EcoDesign Way principle and all new offers are designed with this criteria. The Group also considers itself best-in-class in providing product circularity information digitally via the MySE App and on the Website (End of Life Instructions for >100 000 SKUs).

Schneider Electric is also one of the few companies in the industrial sector to be part of the Global Plastics Commitment coordinated by the Ellen MacArthur Foundation as well as recycled plastics commitment in the French Circular Economy Roadmap. The Group has committed to double the quantity of recycled plastics in its products by 2025.

#### Circular Supply Chain:

The Group has an obsession for zero-waste in its operations and since 2014, the landfilled-waste volume has been halved. The most efficient way to reduce, reuse, and recycle waste is found, for example by regrinding of plastic scrap or re-selling metal waste for recycling.

Schneider Electric also strives to purchase circular resources for its supply chain. In 2018, 62% of its transport packing (cardboards and pallets) is from recycled or certified sources and the Group aims to reach 100% in 2 years' time.

During the World Economic Forum in Davos, on 21st January 2019, Schneider Electric has been awarded the premier circular economy award, The Circularity, in the Multinational Category. The award recognizes Schneider Electric's efforts to place circularity at the heart of its strategy and innovation, as well as its ambitious objectives.

## Schneider Electric’s commitments towards environmental excellence

With these 3 complementary axes, the Group is able to have an ecosystem focus by aligning with its customers’ expectations all the way to embarking its suppliers.

Employee engagement and a circularity mindset:

- On Global Environment Day each year (June 5th), the circular economy is one of 3 themes for all Schneider Electric’s employees, towards #MovingtheDate of Earth Overshoot Day. In 2018, around 200 ideas/innovations from employees were collected with a goal to reward the best innovations and replicate them globally.
- Schneider Electric was among the first companies to co-develop a circular economy e-learning with the Ellen MacArthur Foundation. Since 2016, more than 4,000 employees have attended this training.
- In its supply chain (84,000 employees), circular resource management is an integral part of our Schneider Performance System maturity assessment, from reuse maximization to zero landfilling.

External participation, co-development and knowledge sharing:

Schneider Electric continues to be part of the Circular Economy 100 (CE100) program of the Ellen MacArthur Foundation and is involved in various co-projects to develop partnerships and solutions for the challenges faced in further implementing the circular economy in business operations.

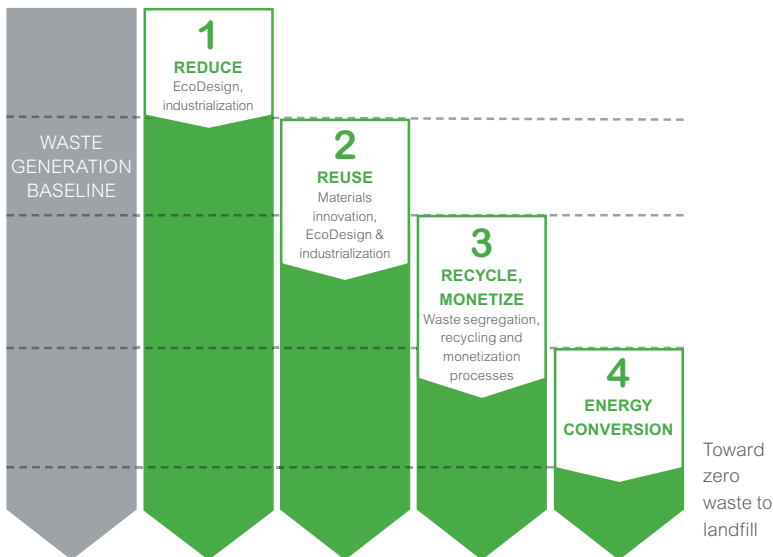
### Waste as worth – “Towards Zero Waste to Landfill” sites

Because waste is a major source of pollution but also a potential source of raw materials, waste management is a priority of the 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 includes:

- the goal of achieving 200 industrial sites sending “Towards Zero Waste to Landfill”<sup>(1)</sup> by 2020; this indicator is published in the Schneider Sustainability Index and the Group is proud to mention that 178 sites received this label by end 2018;
- the implementation of specific actions to reduce and reuse a maximum of thermoplastic, metal and transport packaging waste;
- the implementation of an initiative to maximize value recovery from metal waste, focusing on sites generating the largest volumes.

In order to deliver Schneider Electric’s 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 the 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.

### Waste pyramid

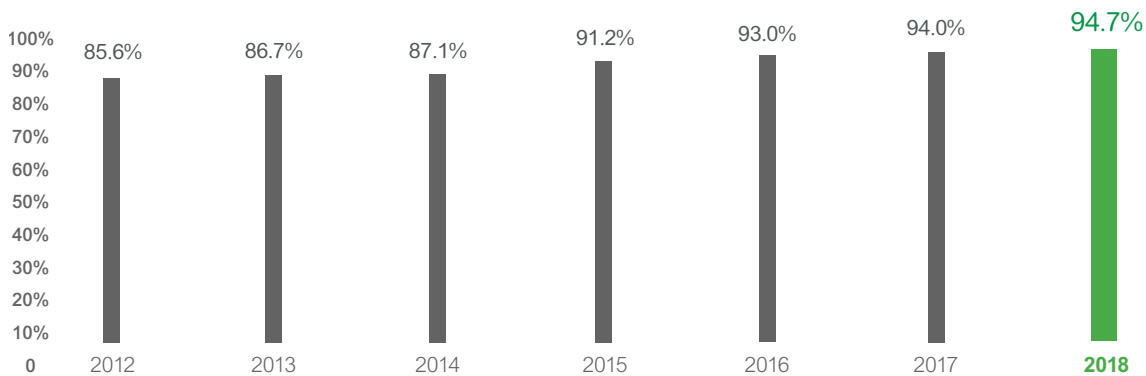


(1) Towards Zero in this case means over 99% of metallic waste and over 97% of non-metallic waste recovered at site level as well as 100% proper handling/treatment of hazardous waste.

Schneider Electric reports around 160,000 tons of waste annually, most of it being solid waste. Continuous improvement plans have been deployed to manage this waste, in line with the ISO 14001 certification. Waste data is processed to ensure local traceability. Schneider Electric is committed to ensure the potential adverse impacts of hazardous waste on environment and health are mitigated. Two main levers are investigated as part of our 2020 Waste as Worth program: first, all sites generating hazardous waste ensure visibility of handling and end-of-life treatment paths, and seek to valorize as much as possible the waste (through material or energy recovery) while neutralizing its hazardous nature. Second, top hazardous waste generating sites work to reduce the volumes of waste generated in the first place, notably by implementing 'Best Available Techniques (BAT)' in our Industrial processes. Such BAT processes come along with superior performances from resource efficiency perspective, and/or chemical substances use and/or emission reductions. By 2025, we ambition to reduce HZ waste intensity by 20% against 2017 baseline.

In 2018, the Group recovered 94.7% of total waste reported (recovery ratio includes material and energy recovery). This recovery ratio has increased from 81% to 94.7% since 2009, thanks to site by site waste management and action plans.

Trend of waste recovery ratio



The Group also focuses on generating value for waste, with a focus on improving waste segregation. This enables the Group to ensure that waste recycling potential is maximized, both in terms of quantity and quality of recycled material. In 2018, the Group notably recovered over 99% of reported metal waste.

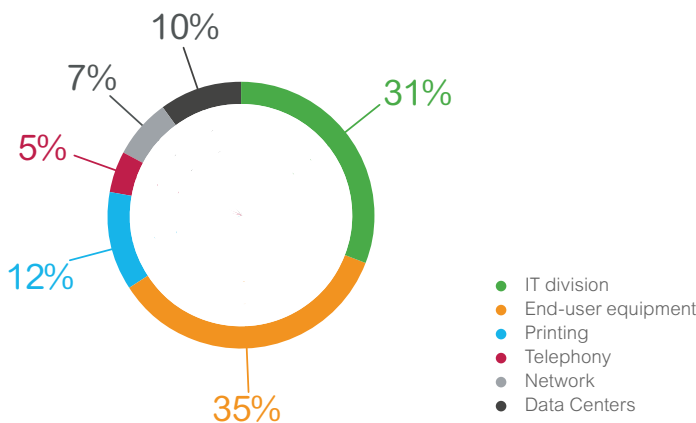
**Green IT (Information Technology)**

Conscious of the growing environmental footprint of IT, as well as the social impact linked to minerals resources, Schneider Digital has launched a green IT initiative in order to measure and optimize the environmental footprint of Schneider Electric's information systems.

This footprint is measured using the Club Green IT framework, including primary energy, GHG, water and abiotic depletion. Schneider Electric participated in the "WeGreenIT" study conducted under the patronage of World Wide Fund for nature (WWF) by Club Green IT, following a generalized LCA screening methodology. WeGreenIT results show that the yearly resource footprint of IT per end user is 800 kg of CO<sub>2</sub>, 5740 kWh of primary energy, 14000 liters of water, and 3 kg of electronic waste, placing Schneider in the average of the 18 participating companies representing 880 000 end users.

The repartition of GHG emissions per usage is detailed on the following graph:

CO<sub>2</sub> footprint of IT per end user



Source: Average results from 18 companies, WeGreenIT study, Club Green IT.

## Schneider Electric's commitments towards environmental excellence

An action plan has been engaged to optimize this environmental footprint on the different component of IT:

For end user equipment, a Hardware Asset Management policy defined, including proper usage of computers and the definition of asset recovery services (ARS). This ARS policy has been deployed in Europe and engaged in China. As an example, a leasing company is announcing a ratio of 97 % of PC leased for Schneider Electric have a second life of 3 years – so a total lifecycle of 6 years. In addition, a new standard laptop has been defined in 2018, consuming 50% less energy vs 2017 model. Finally, a standard has been defined, to explain to site energy managers how to measure IT electricity consumption using the building energy metering and monitoring software.

Optimization of the Group data center footprint is done using 2 levers: the rationalization of on premises servers and the move to cloud. The European datacenter landscape has been reduced from 5 data centers in France & the UK to one datacenter in France. The PUE of this datacenter has been optimized by consolidating 10% of virtual machines into a private cloud environment (PUE being reduced from 1,6 to 1,2 by this way) and removing idle servers. In parallel a cloud platform has been set up and deployed at scale for IAAS and a PAAS platform is used for supporting in house low code development, both platform having the state of the art PUE. The rationalization of our application landscape – in 2017 & 2018 1300 legacy applications have been decommissioned – allow us also to reduce datacenter footprints as those application and replaced by applications running on more efficient infrastructures.

Regarding the network footprint, as the move to cloud as an effect on the network energy consumption itself, Schneider Electric have launched different initiatives to optimize application hosting between edge or cloud: a calculator to define the total energy consumption of servers + network has been built, and a standard hybrid architecture, allowing to host locally, on virtual machines some network intensive application while having at cloud DRP with the best service level has been defined using Schneider "smart bunker" solution. In addition, local area network (LAN) LIFI capability have been tested functionally. LIFI is an emerging technology using a LED as an access point with a potential dramatic energy savings compared to WIFI, and a health benefit as no radio waves are emitted.

Finally, different collaboration solutions are being implemented for messaging, web audio and video conference. Innovative digital solutions allowing virtual teams to work in an agile way are being tested, including remote collaborative brainstorming tools, electronic whiteboard, telepresence robot and smart glasses. The objective is to replace international travels by digital interaction. New collaboration solutions aiming at reducing paper, email exchanges and further leveraging cloud data storage are deployed, and we implemented a new communication solution, cloud based, for messaging, web audio and video conference.

By 2020, the Group will pursue the deployment of Green IT actions, focusing on actions such as:

- A measurement framework will be deployed and automated thanks to the deployment of a global CMDB (Configuration Management Database, the database where all physical assets are managed) and its integration with environmental and supplier database
- The asset recovery policy will be extended to servers
- The methodology of Club Green IT for EcoDesign of IT capabilities – meaning going beyond coding efficiency but focusing on the services delivered and not on technology will be starting to be implemented with a pilot.

Our ecosystem of partners, including large cloud providers, network operators, and network equipment providers will be invited to join hands in our Green IT initiative in a co-innovation manner.

## Committed to and on behalf of employees

### In this section

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# 4.1 Overview

## People strategy

Our people make Schneider Electric a great company. The Group motivates its employees and promotes involvement by making the most of diversity, supporting professional development, and ensuring safe, healthy working conditions. Its ultimate ambition is to generate higher performance and employee engagement, through world-class people practices that are supported by a global/local and scalable model.

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

## Step Up

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

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

Through Step Up, our ambition is to create:

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

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

## Key targets and results

For this section, 7 key performance indicators have been set in the Schneider Sustainability Impact 2018-2020:

Objectives for year-end 2020	2018	2017
1. 70% scored in our Employee Engagement Index	<b>67% ▲</b>	65%
2. 1 medical incident per million hours worked	<b>0.94 ▲</b>	1.15
3. 90% of employees have access to a comprehensive well-being at work program	<b>20% ▲</b>	13%
4. 90% of employees are working in countries that have fully deployed our Family Leave policy	<b>75% ▲</b>	–
5. 100% of workers are doing at least 12 hours of learning in the year, and 30% of the workers learning hours are done digitally	<b>57% ▲</b>	
6. 90% of white collars have individual development plans	<b>78% ▲</b>	32%
7. 95% of employees are working in a country with commitment and process in place to achieve gender pay equity	<b>92% ▲</b>	89%

The 2017 performance serves as a starting value for the Schneider Sustainability Impact 2018-2020.

Please refer to pages 174 to 179 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 146-147 for indicator 1, 143-145 for indicator 2, 145 for indicator 3, 154 for indicator 4, 148-151 for indicator 5, 148-151 for indicator 6, and 153 for indicator 7).

▲ 2018 audited indicators.

### Committed to and on behalf of employees

#### Schneider Electric brand values

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



**Customer First.** We surprise and delight customers as we would be nowhere without them. So, not only do we put ourselves in their shoes, but we also anticipate their needs and go the extra mile. We champion our sales people, because they are the face of our company. Whatever our role, we have an impact on the customer's experience.

**Dare to Disrupt.** Innovation is our middle name. Good is never good enough, and that's why we are constantly experimenting, taking risks and disrupting the status quo. We think fast, and we act even faster. Setbacks don't hurt us. They motivate us. That's why we are not afraid to make our bets bigger, and our decisions bolder to power the digital economy through energy management and automation. We, at Schneider, ensure Life is On.

**Embrace Different.** We are 100% committed to inclusion. 'Exclusion' is not even in our vocabulary. We believe in equal opportunities for everyone, everywhere. This means welcoming people from all walks of life, ages and cultures, embracing different perspectives and calling out bias when we see it. So that every person feels uniquely valued and safe to be at their best. To us, a stranger is simply a friend we haven't met yet.

**Learn Every Day.** To stop learning is to stop growing. We are genuinely curious, never done with learning. To us, there is no such thing as knowing it all or having all the answers. We believe in life-long learning. Every minute of every day brings a new chance to listen, open up our minds, and widen our horizons. We are never too experienced to learn.

**Act Like Owners.** Entrepreneurs at heart, we take responsibility and ownership of everything we do. This is not somebody else's company. It's ours! We are individually empowered and collectively driven to collaborate and beat the competition together. In the end, we do what is right for Schneider first – always with integrity and honesty.

#### Organization

Since 2009, the Human Resources Department has been structured around 3 principal roles to better respond to their missions:

- HR Business Partner assists managers on a day-to-day basis in setting out their business strategies and in assessing the human resource requirements needed to meet their business targets. The HR Business Partner also plays a pivotal role in anticipating skill requirements and employee development, and in the management of employee relations;
- HR Solutions creates and develops comprehensive solutions to the organization's strategic challenges in key areas, such as compensation, benefits, human capital development, learning and performance management. Regional teams are leveraged to effectively support the Group's globalized operations;
- HR Services handles the logistics and administrative responsibilities relating to payroll, sourcing, mobility and training programs, mainly through shared service centers designed to optimize efficiency and costs.

Since 2015, the Group has put in place an HR Excellence initiative with the objective of creating HR teams ready to make the Leadership & Culture vision a reality while supporting the growth of the business. In this sense, the HR function takes a central role in driving the cultural transformation of the Group, it designs a specific development plan for HR professionals and it strives to be an ever effective, scalable and employee-centric function.

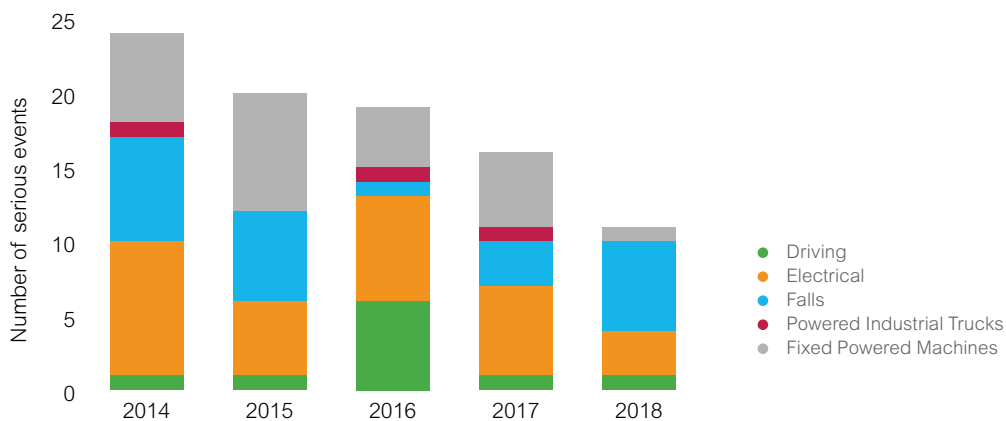


## 4.2: Employee health and safety

### Description of risks and opportunities

Schneider Electric uses a risk-based approach in developing strategic action plans to maintain a safe work environment for their employees and others working on their behalf. This approach begins by analyzing the hazards that create the greatest risks, the potential for serious injury or death. For Schneider Electric there are 5 top hazards that are integral to more than 90% of the serious injuries and fatalities experienced by our employees and contractors. These top 5 hazards, common to the industry in which we operate, are:

- Driving;
- Electrical;
- Falls;
- Powered Industrial Trucks;
- Fixed Powered Machines.



These top 5 hazards have become the basis for our 2020 strategy and our plans for continual improvement.

### Group policy

Schneider Electric operates under a Global Health & Safety Policy committed to protecting the health and safety of its employees. We care about the lives of our employees, customers and contractors.

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

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

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

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

In 2018 we introduced a new addition to our strategy called "S.A.F.E. First". The "S.A.F.E. First" process is our personal reminder to pause and reflect on our own safety before beginning any task. To be #SAFE you must analyze your Self, your Activity, the Facility and the Environment.

### Committed to and on behalf of employees

#### Due diligence and results

Results matter when dealing with occupational health and safety. Schneider Electric values the safety of its employees, customers and contractors and has implemented an intensive action plan for improvement based on the 2020 strategy, which includes the following in 2018:

- Continued implementation of the annual safety & environmental assessment tool focused on the elements of the 2020 strategy. The EHS assessment tool aligns with our Schneider Production System (SPS) and evaluates sites based on the 5 safety guiding principles and top 5 hazards;
- Within Global field services' we have deployed our Schneider Performance System which has historically been used in our Global Supply Chain. The new version has been adapted for work at a customer site and evaluates excellence in Safety (1-5, notion-expert), with action plans to drive continuous improvement.
- Global field service completed a perception survey including 10 employee engagement questions to gauge how well embedded our safety culture is in the minds of our people. The overall score was 94.2%.
- Evaluation of serious events (those workplace events that causes serious injuries to employees) through the Serious Incident Investigation Process (SIIP). This process includes a deep analysis of serious events and the communication of practices and corrective actions to prevent future events;
- Global safety alerts are issued when serious events require further communication of corrective actions to the global occupational health & safety community. Sixteen global safety alerts with learnings and action plans were issued in 2018;
- Tracking of a global proactive leading indicator, "safety opportunities", a combination of near miss and safety observation reporting, goals to be established for 2019;
- Deployment of 8 safety standardization initiatives including lone worker alert systems, pallet rack stability, ladder safety, heat stress management, spill kit preparedness, test lab safety requirements, robots-cobots-AGV's safety standards and safety minimum requirements when visiting a third party.
- Continued implementation of the global Integrated Management System (IMS – Includes ISO 9001, ISO 14001 and OHSAS 18001). The global IMS has initiated the transition from OHSAS 18001 to the new ISO 45001, with external validation scheduled in 2019;
- Updated digital safety handbook released in November 2018;
- Establishment and deployment of 2018 communication plan including: quarterly safety campaigns – Fall Prevention, Powered Industrial Trucks, Material Handling & Electrical Safety; 22 Edison experts (internal specialists) engaged in global and regional continuous improvement projects; 7th Annual Global Safety Day; rollout of S.A.F.E. First campaign.

Schneider Electric uses 3 primary indicators to measure Occupational Health & Safety performance. The first of these indicators is the Medical Incident Rate (MIR) which measures the number of medical incidents per million hours worked. This measure allows for an in-depth evaluation of workplace hazards, and the resulting corrective actions assist in the elimination of recurring incidents and the prevention of injury. The Group has used the MIR as a key performance indicator on a global basis since 2010. 2018 is the first year of a current target, as part of the Schneider Sustainability Impact, to reduce the MIR over a 3-year period (2018-2020) to 1 or less medical incidents per 1 million hours worked.

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

Annual reduction goals for 2018 are -5% for the MIR, -5% for the LTIR and -10% for the LTDR versus 2017 results. The 2018 results are as follows:

- MIR 2017 = 1.15, MIR 2018 = 0.94; annual reduction (2018 vs. 2017) is 18%; 2018 results have met Schneider Sustainability Impact commitment
  - LTIR 2017 = 0.62; LTIR 2018 = 0.46; annual reduction is 26%;
  - LTDR 2017 = 20.68; LTDR 2018 = 13.69; annual reduction is 34%.
- In addition to the three primary indicators we are tracking our Occupational Illness Rate (OIR), which measures the number of occupational illnesses per million hours worked.
- OIR 2018 = 0.02.

Schneider Electric is also tracking a new indicator, the Safety Opportunities Rate (SO Rate). This rate is a combination of reported safety observations and near miss events averaged over employee headcount. The SO Rate for 2018 is 1.060 which equates to 1.060 opportunities per employee.

Group Dashboard			
MIR – 18%	Incidents requiring Medical Attention. (Medical Incident Rate based on 1M hours)	<b>0.94</b> (1.15) 2017	↓
<b>Better than Target</b>			
LTDR – 34%	Incidents requiring recovery time off work. (Lost time day rate based on 1M hours)	<b>13.69</b> (20.68) 2017	↓
<b>Better than Target</b>			
SO Rate	Average safety opportunities/person.	<b>1.060</b>	—

As a result of our continuous improvement efforts, we've experienced 54 fewer workplace injuries (requiring medical treatment) in 2018 versus the results in 2017. In addition, we've experienced a 60% reduction in MIR since 2013 resulting in approximately 450 fewer workplace injuries. While incident frequency and serious incident occurrence trends down, and our safety culture continues to strengthen (with the addition of our 2020 safety strategy), we cannot be completely satisfied until we reach our ultimate goal of zero fatal and zero serious injuries worldwide.

### Well-Being in our DNA

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

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

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

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

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

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

### Committed to and on behalf of employees

#### 4.3: Talent and employee engagement

##### Description of risks and opportunities

Attracting and developing talent is crucial to the ongoing success of Schneider Electric. The Group is working to become the “best company” to work for, and constantly strives to provide the environment and motivation for its employees to take control of their own career progression, through access to learning and development and the latest job opportunities, and through readily available resources. See Risk factors pages 60 to 81.

##### Group policy

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

Talent management and performance management processes were brought together via the deployment of a new integrated HR information system called TalentLink. This system allows significantly improved data management and analytics in the areas of strategic workforce planning and talent management; it also improves the matching of resources to demand regarding learning in the different parts of the organization. In 2017, an employee development portal was also introduced to provide additional tools and resources to employees to explore their career, including a playbook for conducting development discussions. For both performance management and employee development, tools and processes are in place to ensure clear goals are set and tracked in the TalentLink system on an annual basis.

The other aspect of talent management is related to the identification of high potential talent across the organization. To this end, an annual talent review process operates across the organization to help ensure that high potential individuals are identified and realize their full career potential. Structured succession planning for critical roles helps to accelerate individual career development while maintaining continuity for the organization. In selecting and developing talent, an important consideration is also to foster diversity such as gender and nationalities (new economies as well as mature economies). Towards the end of the talent review process across the entities, there is an aggregated review with the Executive Committee to discuss the overall health of the leadership pipeline and succession strength for top positions.

##### Due diligence and results

##### Employee engagement and OneVoice

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

The OneVoice survey in numbers at the end of 2018:

- 100% of employees surveyed from twice a year in 2017 to once a year in 2018, including pulse surveys on targeted populations to move to a continuous listening strategy;
- 86,609 emails sent, out of which 65,190 answered
- 37,741 people reached via “kiosks” on 277 production sites
- 3,300 managers receiving a dedicated report
- More than 50,000 verbatim analyzed
- A constantly improving participation rate from 62% in 2011 to 81% in 2018.

Employees are asked to fill out a short questionnaire evaluating their engagement and measuring the drivers of engagement such as diversity, learning, well-being, etc. This process helps the Group identify key avenues for improving major employee engagement factors.

Analyzed by country and by unit, the survey results help to steadily improve employees' commitment to processes and projects, the proper execution of which is crucial to both successfully implementing the Group's strategy and satisfying its customers. A customer focus question was introduced in 2015 to measure if “at Schneider Electric we continuously seek ways to better serve our customers”.

Because the workplace is a key enabler in engaged employees, and to leverage the workplace policy implementation, a new driver was added, “Workplace”, which scored 66% in 2018. To be aligned with our People Vision, the notion of “Inclusion” has also been included in the Diversity driver and the question about Learning was modified.

Managers are also involved in this process: over 3,300 managers receive a customized report. Following communication of the results, they have to organize feedback sessions with their team to foster dialog and build relevant action plans, based on both qualitative and quantitative results.

A key performance indicator for the Group is the Employee Engagement Index, which is also registered in the Schneider Sustainability Impact. 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 2018, the Employee Engagement Index at Group level is 67% (+2 pt vs. 2018), above the industry average (60% – source: Aon Hewitt). For this type of indicator that measures the engagement of employees, every point is a stake. For the record, the Group started the measurement of this indicator in 2012 at 55%.

More importantly, Schneider Electric looks very closely at the percentage of employees who are made aware of an action plan after the survey. In 2018, the result was 79% (compared to 68% at end of 2012, 79% in 2017).

### Employer branding

#### Our employee value proposition

The Group is also looking to establish a strong name as an employer, and communicates around its Employee Value Proposition, which is closely aligned with the values of the Schneider Electric brand.

We believe that great people make Schneider Electric a great company. We are driven by our **Meaningful** purpose, and continuously create an **Inclusive** environment where employees are **Empowered** to be at their best and innovate.

- **Meaningful:** Our mission is to bring energy and efficiency to enable life, progress and sustainability for all. We pioneer digitization and transformation of energy and processes and turn the bold ideas of our customers into reality. We adhere to the highest standards of governance and ethics.
- **Inclusive:** We want to be the most diverse, inclusive and equitable company, globally. We value differences, and welcome people from all walks of life. We believe in equal opportunities for everyone, everywhere.
- **Empowered: Freedom breeds innovation.** We believe that **empowerment** generates high **performance, personal fulfillment and fun**. We empower our people to use their **judgment**, do the best for our **customers**, and make the most of **their energy**.

Our Employee Value Proposition continues to evolve in step with the business. Making the emotional connection as to “Why Schneider Electric?” is fundamental in the ability to not only attract the best talent and be an “employer of choice”, but also to have it resonate as authentic with employees as a form of encouragement, motivation and inspiration.

#### Flagship program: Go Green in the City

Launched in 2011 by Schneider Electric, Go Green in the City is an annual international business case challenge for university business and engineering students around the world to find innovative solutions for energy management and automation – exposing students from all over the world to our employer brand. It is now established as a global initiative to attract female and male graduates for internship and/or ongoing talent fulfillment objectives. Over the years, the competition expanded its scope to become a truly global competition by opening its gates to students in all countries around the world.

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

The Go Green in the City competition received a total of around 24,018 registrants in 2018. In these last eight years, Schneider Electric has seen strong and increasing interest from students for this contest, especially from the new economies. 58% of the participants were female in 2018, confirming Schneider Electric’s commitment to Diversity and Inclusion.



#### University partnerships

Schneider Electric continues to focus on key relationships with a core selection of partner universities throughout the world. This enables a deep relationship to develop for the benefit of all. Relationships have primarily been developed with universities offering specialization that aligns with our business needs – most commonly in engineering, energy management or technology. A selection of initiatives is set out below:

- Sharing of our business acumen – for example competitions and guest lectures;
- Sponsorship initiatives;
- On-campus recruitment events.

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

### Committed to and on behalf of employees

#### 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. Key achievements in 2018 can be found in this chapter pages 104-105. In particular:

- LinkedIn, the professional networking site, recognized Schneider Electric with the Best Company Page on LinkedIn, attracting talent
- Fortune recognized Schneider Electric as one of the 'World's Most Admired Companies' at Top 5 within the Electronics Industry
- Universum, university student specialized ranking, recognized Schneider Electric as one of 'World's Most Attractive Employer'
- Forbes recognized Schneider Electric USA as one of the 'America's Best Large Employers'
- Schneider Electric USA has been certified as 'Great Place to Work'
- Our Glassdoor rating is on steady growth up to 3.9 at the end of 2018.

#### 4.4: Learning and leadership development

##### Description of risks and opportunities

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

##### Group policy

In the new People Vision there is a clear focus on learning with 'Learn Every Day' identified as one of the five Core Values of the organization. The aspiration is to foster a culture where employees are genuinely curious, proactively finding new ways and rituals to learn, learning from mistakes and reflection and applying new knowledge quickly and practically to daily work. The Group believes in life-long learning, connecting with each other to exchange, collaborate, teach and learn.

The key indicator to track progress in this direction is the percentage of employees who express their satisfaction via the learning driver in the OneVoice employee survey in response to the question 'I can learn and grow personally and professionally at Schneider'. In addition, we also focus on tracking the learning of our 'worker' population as part of the Schneider Sustainability Impact.

The Group has defined its learning strategy around three components:

- The development of **great professionals** by function. This includes the definition of learning paths for critical roles, the on-boarding of talent and the development of internal trainers.
- Offering more **digital** and innovative ways to learn. This includes enhancing employees digital access to learning everywhere at anytime, especially promoting mobile learning.
- An inclusive **learning culture** focusing on the ritual #whatdidyoulearntoday.

##### Due diligence and results

###### Digital learning

The Bersin by Deloitte infographics on the Modern Learner (2015) shows that the half-life of a skill today is between 3½ and 5 years. Because Schneider Electric wants to achieve its business goals and stand out from the competition, it must invest in its people and prepare them for the future with the right set of skills, at the speed of change. The innovations conducted in the past 3 years in digital learning are solid steps in that direction.

First, the Group progressed on its journey to transition towards a more digital learning catalog. Since 2014, the number of digital training hours available increased up to 39% of the catalog available, mainly through business-driven action plans like: deploy a large catalogue of eLearning in 13 languages available without any approval to all Schneider Electric employees; make available Ted Talks videos directly in-line with transformation and business priorities; integrate specialized learning providers for software and IT to cope with constant changes in that field, as well as dedicated digital libraries for Procurement and Finance functions.

This resulted in a 2-point increase in the digital hours consumed, from 33% in 2017 to 40.3% in 2018 (16% in 2014), while maintaining a high level of satisfaction from employees (4.2/5 rating on the digital learning offer – Source: My LearningLink).

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

## Learning culture

For the fifth consecutive year, the Group organized a Learning Week, which was held worldwide from April 15-20, with three main objectives:

- reinforce learning for all as a key part of the Group's culture;
- develop knowledge, skills and competencies to better serve customers through turning learning into action;
- enable all employees to exchange, collaborate and choose their own learning experience, powered by digital.

Many activities were organized on the theme 'Schneider teaches Schneider' including webinars and workshops on key subjects, market place, leader stories of success and failure, EcoStruxure challenge, employee initiatives to teach professional and personal subjects to colleagues, digital games and photo and video contests on Yammer (our social network). Over 50,000 employees actively participated. Consolidated results from the Learning Week confirm an increasing success, year on year:

- 84% of respondents satisfied;
- 87% are likely to recommend the Learning Week to a friend or colleague;
- 91% discovered new subjects.

A specific global Learning Day was also organized on 25 October with learning on the new People Vision Core Values, with a specific focus on Customer First.

**Internal Trainers:** the Group actively promotes a learning and teaching culture by developing its internal trainer capability and setting up an internal trainer community. There are currently over 7,000 internal trainers identified globally who delivered over 120,000 hours of training in 2018.

## Great professionals

### Onboarding

From a new comer's perspective, the Group focuses 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 2018, we went from 78% completion of the digital learning curricula down to 71.4%.

### Learning paths for key roles

To promote a culture of learning based on the 3E model (10% education, 90% informal exposure and experience), learning paths were created for a large majority of the existing roles. 90% of the roles (job codes in the internal system of reference) are covered with recommendations of training of which 65% include exposure/experience actions. Those learning paths are widely used during the Employee Development process period from April to June. It enables each employee, during the conversations with their managers, to get profiled recommendations based on their current role and explore development opportunities for a future one. In 2018, there were 35,000 employees using the employee development portal where the learning paths are available. The portal is being updated and improved for the 2019 campaign, enlarging the coverage of learning paths with exposure and experience propositions.

### Academies to support business priorities

The academies' curricula are built using the outcome of workforce planning. Schneider Electric benefits from a network of Learning Solution internal consultants. They are in the different geographies and support managers and HR officers in identifying the relevant Learning Solution for the needs of their employees. For example:

- **Global Supply Chain (GSC):** The Global Supply Chain Academy provides every professional within the GSC function with the opportunity to learn and develop their functional knowledge, capability and competencies in the 7 domains of Safety and Environment, Customer Satisfaction & Quality, Purchasing, Manufacturing, Supply Chain Planning, Logistics and Industrialization. In 2018, 100 new learning offers were launched on strategic topics, 96% of them being digital (mostly e-learning and videos);
- **Research & development:** The Offer Creation Academy addresses the needs of the Offer Creation Process (OCP) to ensure the right competency levels of R&D employees globally. The range of learning offers covers the entire OCP lifecycle, addressing skills such as project management, design and testing, R&D processes, software tools, etc.;
- **Sales through Partners:** The Sales Excellence Academy is set to prepare the transactional sales force for the challenges of the commercial transformation in line with business strategies. It develops training paths for sales engineers, representatives and managers to impart knowledge, skills and behavior to sell through partners (about 12,000 employees). The curriculum being developed aims to cover both foundational skills for all sales people in contact with customers and advanced courses to address more complex sales environments or coaching skills;
- **Account Management Excellence and End-user Segment Expertise:** Solutions University offers a comprehensive learning portfolio including Certifications on Sales and EcoStruxure for Segment, tailored to the organization's needs and performance environments. The Solutions University's aim is to support the solutions, services and digital business growth with a special focus on our Strategic Accounts. Every year, Solutions University welcomes around 12,500 candidates from 95 countries and had delivered 8,100 certificates at the end of 2018.

### Committed to and on behalf of employees

- Functional academies: we also have academies covering key functions – Finance, focusing especially on the controlling 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; Digital and IT, with a focus on software skills, Microsoft Office as well as the foundational skills around Digital; and finally the Marketing academy focused on the development of core skills for the 4,000 marketers but also programs for all employees such as the Digital passport to augment the digital IQ for all.

#### Leadership development

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

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

First, on accelerating the development of high potential leaders by designing and delivering a new, cohesive set of leadership programs called 'Transforming Schneider Leadership'. These programs had a key theme of 'Purposeful leadership for a Digital World'. In 2018 more than 900 leaders – identified via annual Talent Management process – at multiple leadership levels attended these programs to fast track their capability in addressing personal leadership, team, organizational and strategic leadership. These topics were approached through the lens of digital disruption, driving innovation and leading new business models. Leaders demonstrated a return on their learning investment through an individual 'action lab' which addressed a specific and actionable work project. The programs also introduced for the first time a significant digital learning component allowing for a more efficient and more scalable learning impact.

Second, the Leadership Academy addressed core feedback and coaching for performance skills via the 'Leader Skills Series' to build the foundational skills of driving better performance conversations for all people leaders. In 2018, 7,600 leaders across the company experienced these sessions which were delivered either virtually or with 'bite size' classroom sessions supported by a change campaign. The series has raised visibility and understanding of the importance of high quality feedback and effective coaching in achieving better team engagement and results.

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

#### Global tools and enablers

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

#### My LearningLink

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

- 200,000 sessions opened per month;
- more than 35,000 modules of learning content are available in up to 13 languages;
- more than 130,000 employees have access to the system;
- 86.1% of employees followed at least one day's training (instructor-led training and digital learning).

No managerial approval is required for employees to register for online courses; employees are actively encouraged to take the responsibility for developing their skills and competencies. This platform is instrumental in developing the skills of the workforce at all levels, supporting business strategies by targeted learning activities as well as enabling them to become a stronger actor in their own development.

In 2018 a new home page was launched for My LearningLink. Leveraging both top-down driven as well as artificial intelligence machine-learning recommendations, it provides a more personalized, consumerized and mobile experience to employees. Since the launch in March, the number of monthly visits has increased from 49,000 to 82,000 a month.

The Group conducted a learner survey answered by 3,400 employees. 75% of them rated their overall experience at 4 or 5 out of 5 and 95% 3 or more.

My LearningLink is also used to deliver online training content to Schneider Electric partners. The mySchneider Partner Portal is deployed in 140 countries and provides a customized learning experience with targeted training content that is most relevant to the partner's business. As of 2018, the training portal is accessible to over 750,000 Schneider Electric partners, with over 150,000 courses completed since its inception, in 2015.



### Schneider IQ

Based on a French start-up called Coop Academy, leader in corporate Massive On-line Open courses, Schneider IQ provides courses on key trends of the industry as well as transverse strategic topics. All the courses are searchable and tracked in My LearningLink. This platform has a unique approach of flipped learning, pushing questions first, and guiding learners through it so that they can progress very quickly if they know the subject matter, and be guided by videos or coaches if they need help. 43,000 unique users took courses on Schneider IQ in 2018, with top courses being our compliance & ethics course as well as courses on the digital economy and design thinking.

### EdCast: learning on the go for our leaders and key digital populations

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

In 2018, a leadership program, piloted in 2017, was launched called "License to Lead" (See Leadership development section for more details). The Digital DNA program was also launched for all the employees of Schneider Digital department (3,000 people). The aim is to educate this population to become "Digital citizens", meaning mastering some of the fundamentals of the digital transformation of Schneider Electric's industry and ways of working. The Group also launched a specific program on Smart Factory transformation targeted to its Plants in order to equip them with its EcoStruxure solutions.

This is a first step toward a broader vision of learning that encompasses tacit knowledge and information creation and sharing, formal training, informal learning and a community aspect, all equally available on mobile and desktop.

The results are very promising with more than 3,000 hours of cumulated learning hours, 120,000 contents viewed and a general rating of 4/5 by the learners (poll taken directly in edcast answered by around 500 users out of 4,100).

### Klaxoon: gamified, mobile-first, agile

One of the most important outcomes to make learning stick is to fight the forgetting curb. To do so, one needs to activate the learning during the learning experience itself but also after. With Klaxoon, a French start-up twice awarded best innovative start-up in the world by the CES (2016 and 2017), the Group delivers on this promise. Using on-the-fly activities to activate the content during training sessions (brainstorm during a workshop, live questions during a training) but also and above all, before and after learning. Creating mobile responsive gamified quizzes with the possibility to challenge others and re-take the quiz. Those activities can also be integrated in My LearningLink to be embedded in existing curricula. In 2018 more than 150 experts and learning professionals were using Klaxoon to spread their expertise or reinforce knowledge. The plan is to extend it to 1,000 users in 2019.

### Yammer

In 2017 Schneider Electric deployed Microsoft Yammer as its social media platform. Today with more than 49,000 active users, Yammer provides a digital environment for sharing knowledge, experiences and exchange on different topics. It is an incubator for communities; 200 communities of practice are officially referenced in the company, as part of the communities@work program. They promote a new way of working, with a strong culture of sharing, where members can learn from each other.

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

## 4.5: Diversity and Inclusion

### Description of risks and opportunities

In a world where change is the new norm and innovation is critical to ongoing business success, Schneider Electric recognizes that it is crucial to attract and retain a diverse workforce to build a high performing leadership pipeline. The Group's Diversity & Inclusion ambition is to offer equal opportunities to everyone everywhere. Schneider Electric wants its employees — no matter who they are, or where in the world they live — to feel uniquely valued, and safe to contribute their best. The Group believes that Diversity & Inclusion is a business imperative as greater engagement, performance, and innovation is generated through diversity of people, and an environment of inclusion.

### Group policy

The Group's overall aspiration to improve the lives of people everywhere in the world by developing sustainable energy solutions for its customers extends to its Diversity & Inclusion ambition. This ambition is to offer equal opportunities to everyone everywhere. Schneider Electric wants its employees — no matter who they are, or where in the world they live — to feel uniquely valued, and safe to contribute their best.

### Committed to and on behalf of employees

At Schneider Electric, the first Diversity Group policy was written in 2006 and broadened at the end of 2013. With its new People Vision launched in 2018, Schneider Electric's global Diversity & Inclusion policy follows two major commitments which incorporates the Group's ambition:

- Embrace different, and
- Build a culture of inclusion.

At the Group level, Diversity & Inclusion focuses on 5 areas of diversity – gender, nationality, generation, LGBTI, disability – and on building a culture of inclusion for all. While Diversity & Inclusion is increasingly driven by local and regional regulations, with which the Group complies, countries where Schneider Electric operates are encouraged to tackle additional Diversity & Inclusion challenges specifically relevant to their markets.

#### Governance

##### Diversity & Inclusion Board

The Diversity & Inclusion board is a global group of top leaders from all markets and sponsored by the Executive Committee. The board acts as a sounding board for the global diversity and inclusion strategy as well as internal and external diversity and inclusion champions. The board is sponsored by 2 Executive Committee members and board members are nominated by the Executive Committee to serve a 2 to 3-year term.

##### Diversity & Inclusion, leaders and employees compensation

The Group's leaders are accountable for Diversity & Inclusion through the Schneider Sustainability Impact, the Group's transformation plan and steering tool for sustainability by 2020. Ensuring that 100% of employees work in countries that have fully deployed the Family Leave policy and that 95% of employees work in a country with commitment and process in place to achieve gender pay equity impacts the variable compensation of all leaders and global functions of the company. As of 2019, the Schneider Sustainability Impact will also be factored in every employee's short-term incentive plans.

##### Diversity & Inclusion network

The Group has operations in over 100 countries, with employees representing over 150 nationalities. All Schneider Electric entities develop Diversity & Inclusion action plans that cover areas such as gender, generational, nationality, LGBTI, and disability inclusion while meeting local regulations and addressing country-specific situations. Diversity & Inclusion leaders have been appointed in more than 30 countries/zones and entities of the Group to lead these actions plans. This Diversity & Inclusion network convenes monthly to share best practices.

#### Due diligence and results

##### A strong focus on gender diversity

Schneider Electric's Diversity & Inclusion strategy places strong emphasis on gender diversity, based on the strong conviction that building a gender balanced company that is equally inclusive of men and women is both the right thing to do and critical to diversity of thought to unleash innovation and deliver the best sustainable energy solutions to customers.

##### HeForShe: 3 Group commitments to gender diversity

HeForShe is a United Nations Women solidarity movement for gender equality. It invites men and boys to build on the work of the women's movement as equal partners, crafting and implementing a shared vision of gender equality that will benefit all.

Since June 2015, Schneider Electric has been engaged as a HeForShe IMPACT 10x10x10 Champion and made three commitments to:

- Increase the representation of women across the pipeline – 40% at entry, and 30% in top positions by 2020;
- Implement a worldwide pay equity process reaching 95% of our global workforce by 2020;
- Involve Group leaders and establish a dedicated executive-level governance body to drive gender equality across Schneider.

##### Country Presidents committed to the Women Empowerment Principles

Launched in 2010 by UN Women and UN Global Compact, the Women Empowerment Principles are a set of 7 principles guiding businesses on how to empower women in the workplace, marketplace and community.

Over 80 Schneider Electric Country Presidents have personally committed to the UN Women's Empowerment Principle as of end 2018 in markets and operations with at least 10 employees. This strong engagement from the Group's business leaders to act as change agents in their respective markets completes the Group's CEO's personal commitment to transform Schneider Electric towards gender equality.

In 2018, Jean-Pascal Tricoire's appointment to Board of the United Nations Global Compact further demonstrates leadership commitment to the Sustainability Development Goals including SDG 5 – Gender Equality, SDG 8 – decent work and economic growth, and SDG 10-Reduce inequalities – directly tying to Diversity & Inclusion.

##### Building a gender-balanced leadership pipeline

As of end of 2018, women make up 20.5% of managerial positions (defined as all employees with at least one direct report). To build a robust gender balanced leadership pipeline, the Group has engaged in several actions.

### Focus on women in sales and technical roles

Because they are a key internal leadership talent pool, Schneider Electric has been focusing on hiring and including more women in sales and technical roles.

As of end of 2018, women made up 20% of STEM roles with a hiring rate of 25.8% and similar turnover for men and women.

Similarly, as of end of 2018, women made up 18% of the sales population with a hiring rate of 23.5% and similar turnover rate for men and women. Schneider Electric's ambition is to increase the representation of women in sales to 25% by 2020.

### The Women in Leadership program

The "Women in leadership" program supports the Group's women talents' professional development through 3,5 days face-to-face coaching and 3 online coaching sessions. It has been deployed in 3 regions (Asia, Europe and North America) and as of end 2018, over 700 women had benefited from this program.

### Employee Resource Groups for gender equality

Employees are encouraged to drive Employee Resource Groups (ERGs) to locally empower and include all diversities in the Group. As of end 2018, local ERGs have contributed to the Group's efforts towards gender equality and inclusion in 32 countries.

### Hardwiring gender inclusion

#### Gender pay equity

Equal pay for equal work is a core component of the Group's compensation philosophy. Since 2015, as part of its HeForShe commitments, Schneider Electric has developed and implemented a Pay Equity Framework. This is a common global methodology to identify gender pay gaps within comparable groups of employees and lead a country-driven approach to address gaps with appropriate corrective actions.

As of end 2018, the Pay Equity Framework had been implemented in all countries, covering 92% of Schneider's total workforce. The Group's renewed ambition is to extend the Pay Equity Framework to 95% of its global workforce by the end of 2020.

### External recognition

The Group's longstanding commitment to gender equality and inclusion has been globally recognized multiple times in 2018 and early 2019 (see pages 104-105)

- Schneider has been selected as winner of the 2019 Catalyst award for *Attracting and Retaining Women in Schneider Electric India*, an initiative that is an integral part of the global company's diversity and inclusion transformation.
- Schneider has been included in the 2019 Bloomberg Gender Equality Index, for the second year in a row.
- Schneider was ranked 15th globally and 1st in the industrial sector in the Equileap Gender Equality Global Report & Ranking.

### Focus on LGBTI diversity

In March 2018, Schneider Electric committed to the UN Free & Equal Standards of Conduct for Business on "Tackling Discrimination against Lesbian, Gay, Bi, Trans & Intersex People", standing up for equal rights and fair treatment for LGBTI people everywhere.

By adopting these Standards, the Group pledges to:

- Respect the human rights of LGBTI workers, customers and members of the public
- Eliminate workplace discrimination against LGBTI employees
- Support LGBTI employees at work
- Prevent discrimination and related abuses against LGBTI customers, suppliers and distributors – and insist that suppliers do the same
- Stand up for the human rights of LGBTI people in the communities where Schneider Electric does business

The first steps to raise awareness have been taken through a variety of actions: similar leadership commitment at country level, worldwide employee engagement on the topic during Pride month, and launch and development of Employee Resource Groups for LGBTI inclusion.

## Committed to and on behalf of employees

### Inclusion

At Schneider Electric, we recognize that diversity without inclusion simply does not work. To innovate, perform at our best and truly benefit from the Group's diversity, policies and practices have been developed and applied with an inclusive mindset so that everyone can feel that they are uniquely valued and belong.

### Multi-hub Business Model

Schneider Electric wants everyone everywhere in the company to have the same chance of success irrespective of their nationality or location. To deliver on this ambition, the Group created a multi-hub model and systematically relocated global jobs to three hubs across the world to have a truly global leadership. Instead of having a single global headquarters, Schneider Electric has hubs around the world: Paris, Boston, Hong Kong. Not only has this model helped to attract and develop local talent, it has been instrumental in the expansion of the business with localized decision-making.

### Global Family Leave Policy

With its industry leading Global Family Leave Policy, Schneider Electric supports employees with personal time at critical life stages and empowers everyone to manage their 'unique life and work' so that they can be at their best.

While the Group's countries have flexibility to define eligibility and policy details per statutory/market requirements, the policy sets global minimum standards:

- Fully paid parental leave (primary parent – 12 weeks; secondary parent – 2 weeks);
- Care leave (for sick/elderly – 1 week);
- Bereavement leave (1 week).

As of end of 2018, 59 countries had fully implemented policy, covering 75% of benefit eligible employees. By 2020, all countries are required to implement this policy.

### Inclusive teams and hidden bias education

Schneider Electric has developed a comprehensive education approach on hidden bias to build inclusive teams and leaders at every level:

- Inclusion and hidden bias coaching session for senior management teams (N-1 & N-2 of Group Executive Committee);
- Leadership skills series on inclusive leadership (coaching and e-learning) for all people managers
- Overcoming hidden bias e-workout for all employees

### Global anti-harassment Policy

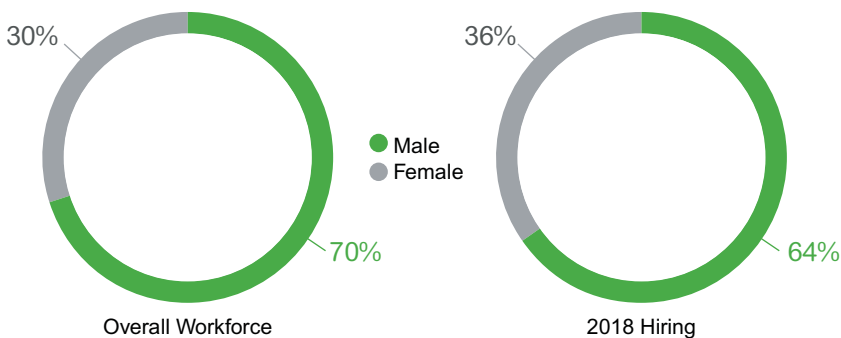
In 2018, Schneider Electric reinforced the Group's position for zero-tolerance on harassment, setting clear and consistent expectations of work place conduct.

The policy defines harassment, including sexual harassment, outlines the roles of employees, managers and witnesses in creating a workplace free of harassment, and highlights the different reporting channels available to all while maintaining confidentiality and protection against retaliation.

The policy defines a global minimum standard; where local legislations define additional standards beyond the global policy, Schneider Electric entities comply with them.

### Focus on France

#### Gender diversity



### Equal employment opportunity for men and women

In 2018, Schneider Electric Industries and France (SEI-SEF) have signed a new collective agreement setting concrete ambitions and action plans:

- Ensure gender balance in SEI-SEF
- Train employees, managers, HRBPs, and unions on D&I
- Combat gender stereotypes in all areas, including when recruiting and promoting
- Close pay gaps between men and women with a yearly dedicated budget and reinforce the “equal pay for equal work” principle at hiring, promotion, career evolution, and return from maternity leave
- Implement coaching and mentoring for women employees and career plans for operators, engineers, and executives
- Provide flexibility at work through telecommuting, flexi-time, part time and awareness on out of office hours meetings and emails

### Focus on women in sales roles

Since Schneider Electric has decided to focus on increasing women in sales roles, 2018 marked a clear progress in that area. As of end 2018, Schneider Electric France’s sales team for the residential market, which is one of the largest markets for customers, was 48% women, and two out of six national sales directors are women. In addition, 50% of global leadership potentials in Schneider Electric France operations pipeline are women.

### Focus on attracting girls to technical roles

Schneider Electric has partnered with Elles Bougent (“Women Move”, association of women engineers), C Génial Foundation (foundation promoting STEM jobs), and MEDEF (union of employers) to promote technical roles in schools, with a focus on gender diversity. Over 1500 pupils have exchanged with Schneider Electric employees in technical roles at school or in the Paris region headquarters.

### LGBTI inclusion

In June 2018, Schneider Electric France signed the LGBT+ Charter with L’Autre Cercle (“The Other Circle”), one of the leading French associations for LGBT+ inclusion in the workplace.

An LGBT France network has also been launched, sponsored by France’s HR Business Partner, and partnering with other local companies to set up awareness-raising and training initiatives.

### Disability inclusion

In 2018, Schneider Electric France signed a new 3-year agreement with local unions (2019-2021) reinforcing its commitment on employment, inclusion and development of people with disabilities, notably addressing digital accessibility.

As of end 2018, 18 people with disabilities were recruited as apprentices and 11 as permanent workers. Overall, employees with disabilities accounted for 6.37% of the workforce with 2.93% of indirect employment (subcontracting to sheltered workshops and companies specifically adapted to people with disabilities) and 3.44% in direct employment.

### Generational & social class diversity and inclusion

As of end 2018, employees under 30 made up 6% of the overall workforce and 42% of new hires. Schneider Electric France supports employment of students and young professionals from diverse social backgrounds:

- Schneider Electric France’s association 100 chances-100 emplois (“100 chances – 100 jobs”) works on personalized career opportunities for 18-30-year-olds without higher education qualifications or degrees. The ambition is to provide at least 60% of candidates with jobs and/or skills training opportunities. As of end 2018, 6100 young people have been supported.
- Partnering with Tous en Stages association (“Internships for all”), Schneider Electric France encourages its suppliers and vendors to empower high school students with internships.

### Manage our unique life and work

Schneider Electric France’s Family Leave policy exceeds the Group’s minimums by providing up to 21-day secondary parental leave. In addition, the company offers a 6-month 80% part-time option (with 90% pay) upon return and 160 child care spaces.

### Tackling harassment

Schneider Electric France has communicated the Global anti-harassment policy to all employees and has committed to #StOpE initiative against sexual harassment, along with the government and 30 companies.

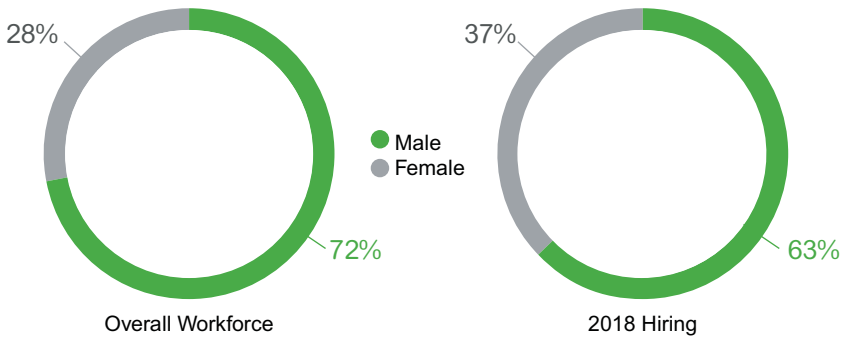
## Committed to and on behalf of employees

### Focus on the United States

#### Diversity for business: Supplier Diversity program

Schneider Electric US is committed to do business with the "best" regardless of ethnic, racial or social, gender, disabled persons, and veteran background. The program is in pursuit of qualified Small Business Enterprise (SBE), Veteran (VET), Minority-Owned Enterprise (MBE), Women-Owned Enterprise (WBE), and Historically Underutilized Business Zones (HUBZone) suppliers that provide quality products and services at competitive prices. As of end 2018, 10.5% of suppliers were diverse, which exceeds the government's 10% requirement. Schneider Electric US aims to reach 11% by 2019.

#### Gender diversity in the US



#### Focus on hiring and retaining diverse teams

Through the Equal Employment Opportunity Policy, Schneider Electric US continues to recruit, hire, train, transfer, compensate, and promote in all job titles without regard to a person's diversities.

The company has partnered with the Society of Women Engineers, the National Society of Black Engineers, the Society of Hispanic Professional Engineers, Service Academy Career Conference, and Military MOJO to tap into a diversified talent pool. These partnerships support the company at university level to engage with the most diverse generation to date in the US through a variety of actions such as sponsoring Hackathons and engaging Schneider Electric's leaders in campus events.

#### Employee Resource Groups

Beyond Schneider Electric US' policies and programs, employees have formed 7 dynamic Employee Resource Groups (ERGs) working on Diversity & Inclusion in general or focusing on gender, LGBTI, generational, ethnic, and veterans' inclusion. The ERGs are spread over 20 locations and sponsored by business and HR leaders. They create awareness on all diversities, extend outreach to the community, and support employee development and business initiatives. These actions impact over 1,800 employees.

#### Managing a unique life and work

Schneider Electric US was the first country to launch and is fully aligned with the Global Family Leave policy. In addition, the Flexibility at Work policy offers different work schemes, such as flex time, part time, job sharing, compressed work week and telecommuting.

#### External recognition

Schneider Electric US received different recognitions for building a diverse and inclusive culture (see pages 104-105).

Schneider Electric US received different recognitions for building a diverse and inclusive culture:

- In 2019, listed amongst Forbes' Best Employer for Diversity.
- Listed as a Military Friendly Company, empowering veterans, and being enriched by their experience.
- Certified as a Great Place to Work by 81% of surveyed employees.
- Listed as a Best Company for Women by Comparably.

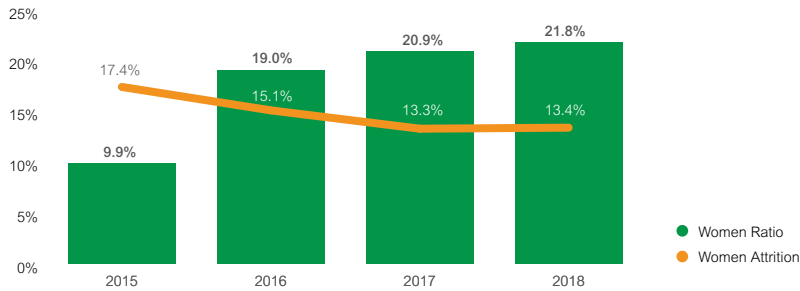
### Focus on Greater India (India, Bangladesh, Sri Lanka)

#### A strong focus on gender diversity

Since 2015, Greater India has been implementing a successful holistic approach to build a gender balanced leadership pipeline.

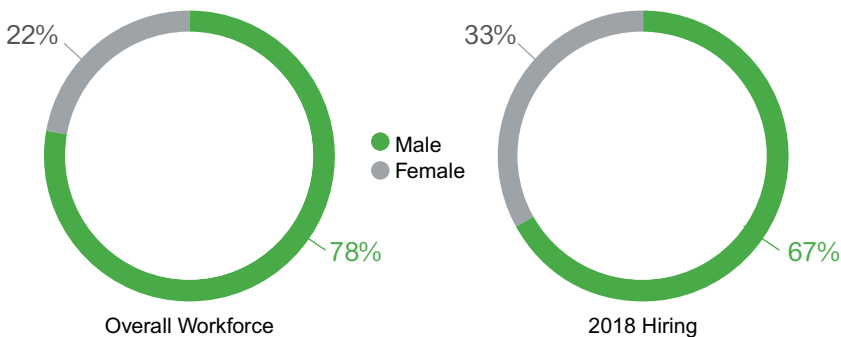
This longstanding focus and multi-dimensional approach to gender diversity has been recognized both locally in India with the 2018 Gender Equality in the Workplace award by Ask Insights and Business World and globally by the 2019 Catalyst Award.

### Gender diversity in Greater India



### Focus on hiring at every level

#### Gender diversity in Greater India



To accelerate gender diverse hiring at the base level, the focus is on campus engagement by leading actions such as Schneider Electric India's leaders being guest lecturers, student onsite visits, and college visits and partnerships.

For middle level roles, the 'Mid-Level Infusion' project consists in hiring mid-level women from different industries in business roles.

For senior level roles, systematic industry mapping ensures that the Group attracts potential women leaders.

In addition, Schneider Electric Greater India has strived to leverage an untapped talent pool with a continuous focus on hiring people looking to re-enter the workforce after a career break, thus bring back trained and experienced resources in the workplace.

#### Professional development & inclusive practices

URJA (which translates to 'Energy' in English) is Greater India's leadership development program. It is designed to harness the leadership skills of mid-career women employees identified as solid potentials. As of end 2018, more than 250 women have participated in the program.

#### Societal engagement & advocacy

Honoring the zone president's personal commitment to the Women Empowerment Principles (WEPs), Schneider Electric India introduced the Perma Awards to promote gender equality beyond the workplace to society. As of end 2018, 7 SME women entrepreneurs have been recognized for empowering women through creating new jobs or making their mark in a male dominated sector.

#### LGBTI, disability & generational inclusion

As inclusion starts with awareness, Schneider Electric Greater India organized an Inclusion Week and Disability Day. In a company where Millennials make up 63% of the workforce, Gen X 30%, Gen Z 6% and Baby Boomers 1%, over 200 employees from all levels of the organization took part in panel discussions and webinars on LGBTI, disability, and generational inclusion.

#### Managing our unique life and work

As of end 2018, Schneider Electric Greater India was fully aligned with the Group's global family leave policy, and in some cases exceeding Group minimums. Employees are also provided with discounted day care centers near office locations.

### Committed to and on behalf of employees

In addition, Schneider Electric Greater India supports employees through additional leave and flexibility at work policies:

- Advanced Sick Leave, in case of prolonged sickness.
- Sabbaticals, for family care at critical times.
- Voluntary Time Off, for community volunteering activities.
- Flexible Work policy, with flexible timing for arrival and departure from the office, work from home in times of exigency and part-time options.

#### 4.6: Compensation and benefits

##### Description of risks and opportunities

To support our mission and the diverse needs of our workforce, Schneider Electric is committed to providing a competitive, comprehensive and inclusive compensation and benefits offering that is cost effective in each market in which the Group operates and which attracts, motivates and retains talents.

##### Group policy

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

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

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

##### Due diligence and results

###### Compensation

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

In line with the Group's pay-for-performance philosophy, the compensation structure typically includes fixed and variable elements. The short-term variable element is made up of individual and collective performance criteria and is designed to foster a sense of accountability and collaboration. The long-term variable component is discretionary and is designed to motivate and retain targeted high potential employees who demonstrate potential and possess critical skills necessary for Schneider Electric's future growth.

###### Benefits

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

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

###### Employee health and well-being

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

###### Sustainable development criteria in performance incentives

Since 2011, sustainable development components have been added to incentive goals of the Executive Committee. They are directly linked to the Schneider Sustainability Impact targets.

The SSI targets also apply to all the Leaders of Schneider Electric including the main zone and Country Presidents and to the heads of central functions (e.g. Finance, HR and Business Development).

Since December 2011, a portion of the award under the annual long-term incentive plan that is granted at the time of vesting is subject to the achievement of the annual SSI target. As a reminder, the SSI 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 SSI. The reduction in the occupational accidents Severity Rate is also considered in the profit-sharing incentive plans of 26 other French entities.

###### Employee shareholding

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

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



The employee shareholding as of December 31, 2018 represented 4.3% of Schneider Electric SE's capital and 7.2% of the voting rights.

75% of the Group employee shareholders were located outside of France, of which 13% in China as well as in USA, and 11% in India.

#### Employee share ownership plan 2018

Schneider Electric has continued its in-house communication to employees to ensure that they have a clear understanding of the challenges facing the company, its policy and its financial results. The Employee Ownership program communication was also renewed with explaining videos to ease its deployment throughout the world.

The 2018 employee share ownership program offered in 41 countries set a new record with a significantly higher international subscription rate than before. More than 53,000 employees subscribed amounting to a total of EUR155 million.

This consistent success with our employees reflected in the Grand Prix FAS received in December for our international reach and consistency of the offer and its success.

In view of the success of the employee share ownership program, the Group again expects to launch a global Plan in 2019 which will cover circa 118,000 employees. It is aligned with our New People Vision: we want our employees to "Act Like Owners", to take responsibility and ownership in everything they do.

#### Socially responsible investment fund

In November 2009, Schneider Electric created the "Fonds Schneider Énergie Solidaire" (a dedicated mutual fund). Information sessions on this social welfare fund have been held on a regular basis, providing the opportunity for employees in France to learn about and contribute to the ideas and actions of Schneider Electric outlined in its Access to Energy program.

Investment in this fund has reached EUR 18 million, thereby enabling 5,300 employees to take part in social welfare projects in France and abroad which have been developed as part of the Access to Energy program.

## 4.7: Social dialog and relations

### Description of risks and opportunities

Social dialog and freedom of association must be seen within the wider context of Ethics & Responsibility.

As a global company, Schneider Electric is convinced that its responsibility goes beyond compliance with local and international regulations and is committed to conducting its business ethically, sustainably and responsibly.

The Company is constantly interacting with all the stakeholders throughout the world: its borders are expanding, its environment is changing ever faster, its activities are becoming globalized and its social responsibilities are growing.

The challenge is to gain and maintain the highest confidence of its stakeholders. To support each employee in this approach, the Group emphasizes the importance of placing responsibility at the heart of its corporate governance.

The Group currently has around 137,000 employees worldwide. Following the Group's various acquisitions, it has been able to integrate this exceptional professional and cultural diversity.

### Group policy

Schneider Electric considers freedom of association and collective bargaining as fundamental rights that must be respected everywhere and therefore in its Principles of Responsibility commits to complying with local laws in every country where it operates.

In its Human Rights policy, Schneider Electric confirms that it considers freedom of association as the basis of a regular dialog between a company and its employees. To that purpose, Schneider Electric respects the individual right of its employees to freely join, participate in or quit labor organizations to assert and defend their interests. Subsequently, Schneider Electric guarantees that any employee wishing to do so shall be protected against any internal measure limiting his or her freedom of association such as discrimination of any kind, pay loss or dismissal. Schneider Electric also recognizes the importance of dialog with freely appointed employee representatives, employee representative bodies (such as Works Councils or employee forums) or organizations (like trade unions) and supports collective bargaining.

In addition, Schneider Electric joined the global deal initiative in 2017. The Group is promoting social dialogue as a means to foster decent work, quality jobs increased productivity and, by extension, greater equality and inclusive growth.

### Committed to and on behalf of employees

#### Due diligence and results

Social dialog is managed at country level by the HR leaders with the employee representative bodies and unions, and at transnational level with the European Works Council which covers most of geographical Europe. Social dialog is also taken into consideration by our social reporting system, where local HR teams report on the presence of trade unions, works councils and Health and Safety Committees every year.

In 2014, while changing the corporate form of its parent company, Schneider Electric SA, into a European Company (Société européenne), Schneider Electric negotiated an agreement with employee representatives of European countries about the involvement of these countries' employees in the company's decision-making processes, thus reaffirming its commitment to promoting social dialog at international level.

#### European Works Council (EWC)

The changes that were made in 2014 to the European Works Council in the framework of Schneider Electric SA's transformation into a European Company significantly enhanced the intensity and the impact of social dialog at European level. This European channel for dialog aims at enabling the management to make more efficient decisions by giving employee representatives the opportunity to be informed of such decisions and to understand their reasons, as well as to put forward proposals to supplement or improve them.

It has also fostered the emergence of a strong identity, combining different cultures and having the common aim of working towards social and economic progress within the companies in the Group at European level. The European Works Council covers all European Economic Area countries (hence all EU member states) and Switzerland, for a total of 44,000 employees.

Moreover, in respect of the spirit of European participation, signed in 2014, and agreed by a large majority of negotiators, a new European Works Council has been set out with extended powers and resources, and the participation of European employee representatives at board of directors' level has been introduced. It replaced the previous European Works Council.

In 2017, Schneider Electric and IndustriAll Europe signed an innovative Europe-wide agreement, the European agreement on the anticipation and development of competencies and employment with respect to the Schneider Electric business strategy (May 18). This agreement is a great opportunity to create a governance for jobs and skills at the Company by anticipating impact and evolutions in business in line with current market trends and the Company's ambition; It sets clear objectives for boosting employees' employability, and for enriching the workforce by diversity and digital generation recruitment; and reinforces constructive social dialog at European and local level within the Company.

In 2018, the European Works Council met 5 times, including 4 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 April plenary session hosted presentations and discussions on the company's strategy with Executive Committee members including Schneider Electric's CEO.

#### 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.

Several negotiations have been launched during 2018 to improve the competitiveness and reorganize the social dialogue according the French law – Anticipation of skills, Flexibility@work, new rules about social relationship, employee representatives elections set up more than 80 negotiations meetings and 15 agreements have been concluded most of the time with all the trade unions.

To illustrate, Schneider Electric negotiated the opportunity for all trade unions members to improve economic and business skills by training sessions. Some of them could have a certification from the University (Science Po Paris).

In order to better understand the Schneider Electric business and its perspectives, the Group Works Council also visited Schneider Electric Alpes (Savoie) and Merlin Gerin Alès (Gard).

#### 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 with key international union leaders on an ongoing basis, and formally on an annual basis, to advise and discuss competitive issues impacting the company's business, and to ensure alignment with the company's business strategies/challenges. Local Company officials also meet with location union representatives regarding information targeted to local issues as related to safety and operational strategies.

#### 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 2018, 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. In addition to this, each unit/plant leads proactively its own social actions, for example in 2018 the Plants on Tijuana and Tlaxcala cities got the "Gilberto Rincon Gallardo" Inclusive Company Distinctive from Federal Labor Authority, for applying a labor inclusion policy for people in vulnerable situations.

### Social dialog in China

Schneider Electric has over 30 legal entities and over 100 sites in China. Most them have set up unions. Unions give input in the review of local policy relating to employee remuneration. They also take the lead to renew the collective contract and organization change in 2018. Unions also take a key role in leading employee events and activities including Employee Caring Center setup in all branch offices, annual family day, bringing kids to work etc. In 2018, unions initiated Monday Energy Station which created a great moment for team gathering every Monday and contribute to a well-being environment.

### Social dialog in India

Schneider Electric India has a strong social dialog culture with both unionized and non-unionized employees. In 2018, Schneider Electric India maintained cordial industrial relations throughout its plants.

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

The process of social dialog also includes monthly employee communication in small groups as well as through Quarterly Town Hall communication on Company performance, strategy and challenges. This year Schneider Electric India have signed two long term agreements in two entities.

### Social dialog in Turkey

Schneider Electric Turkey have maintained employee and union relations with confidence throughout 2018.

Through regular and well-established relations, social dialogue practices have been achieved. In 2018, Schneider Electric with Employers' Association EMIS have concluded successfully a collective labor agreement in the legal period of negotiations for all unionized employees in Turkey. During the negotiations, the Group had also run the process for Cigli manufacturing plant closure in İzmir for the social rights. Schneider Electric had come along a fair agreement to help socially to our people around 160 employees. As published in the press by union president also mentions that the mutual goodwill helped the process to protect the right of the workers this year.

Schneider Electric, an eco-citizen company

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# Closing the energy gap

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

Today, 992 million people<sup>(1)</sup> do not have access to electricity; 603 million of these live in Sub-Saharan Africa, 206 million in India and 183 million in South-East Asia. In general, these disadvantaged populations live on less than USD 2 per day. Their families’ energy costs may run to more than USD 15 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 created in 2008, Schneider Electric wants to play a major role in helping disadvantaged populations to gain access to electricity.

Launched in 2009, the Access to Energy program illustrates Schneider Electric’s desire to create a virtuous circle combining business, innovation and responsibility.

Schneider Electric is involved in three specific areas:

- **Investment:** manage investment funds for business development in the electricity sector;
- **Offer:** design and deliver electrical distribution solutions for disadvantaged people;
- **Training & Entrepreneurship:** help provide training for young adults looking to enter the electricity sector and support social and informal entrepreneurs in the energy sector. This focused effort benefits from the commitment of the Schneider Electric Foundation and its employees’ contributions.

## Key targets and results

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

At the end of 2017, the Access to Energy program had multiplied its revenue by 2.21 (the target was x5); under the program, 148,145 disadvantaged persons were trained in energy-related professions (the target was 150,000), and 1,347 Schneider Electric Teachers missions were completed (the target was 1,300).

These three key performance indicators have been renewed in the 2018-2020 Schneider Sustainability Impact:

Objectives for year-end 2020	2018	2017
1. x4 turnover of our Access to Energy program	x1.31 ▲	–
2. 350,000 underprivileged people trained in energy management	196,162 ▲	148,145
3. 12,000 volunteering days thanks to our VolunteerIn global platform	5,691 ▲	–

The 2017 performance serves as a starting value for the 2018-2020 Schneider Sustainability Impact.  
 ▲ 2018 audited indicators.  
 See pages 174-179 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 163-167 for indicator 1, 168-169 for indicator 2, and 167-168 for indicator 3).

(1) Source: IEA – World Energy Outlook. 2018 Schneider Electric, an eco-citizen company.

## Organization

### Management

The program is managed by the Sustainability Department; the program's management team is divided into equivalent numbers in France and India:

- An Access to Energy Program Strategy and Performance manager;
- Two Business Development Directors in charge of marketing our Access to Energy solutions, one for the Asia Pacific zone and one for the Africa, Middle East and South America zone. One them is also an Emergency, Post-Conflict and Refugee Account Manager;
- A Social Investment Director, who manages the Schneider Electric Energy Access social welfare fund;
- A Training & Entrepreneurship Director;
- Access to Energy correspondents in key countries (India, Senegal, Nigeria, Kenya, South Africa, Brazil, etc.).

### Rollout

To achieve its goals, the Access to Energy program operates through its local presence in the countries concerned by energy access issues. With 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 electrification projects.

### 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 EUR 3 million in capital.

As at December 31, 2018, the following amounts were managed by SEEA:

- EUR 3,000,000 in capital invested by Schneider Electric;
- EUR 2,200,000 invested by Schneider Énergie Sicav Solidaire (including EUR 500,000 in capital), a mutual fund managing the employee savings scheme for Schneider Electric employees in France;
- EUR 200,000 in capital invested by Phitrust Partenaires.

### Approach

Created with the support of 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 disadvantaged 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 August 2018, 5,761 Group employees in France showed their interest in the Access to Energy program by investing EUR18.4million.

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 fight against fuel poverty 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 Cooperation 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 the "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 for people entering the workforce were installed in Lyon by "Habitat for Humanity".

## Schneider Electric, an eco-citizen company

**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.

**SOLIHA BLI** is a real estate company created in partnership between SOLIHA associations in Pays de la Loire, aiming at developing efficient housing offers for people affected by energy poverty, in order to favor social inclusion and to dynamize smaller cities.

### 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 home systems (SHS) as well as collective systems for supplying irrigation pumps or agricultural windmills.

**Amped Innovation**, a company that designs optimized solar home systems to meet the needs of distributors and users. Particular attention is paid to the optimization of costs and the flexibility of the equipment. This company is starting to generate revenue and carried out a capital increase in 2018.

**OKRA**, a company developing microgrids by interconnecting Individual Solar Systems. This solution optimizes the use of solar systems and spreads in time required investments for the grid development. This company deploys its first pilots in Cambodia and Philippines.

### Companies that exited the portfolio

**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. This company was acquired by ENGIE India.

**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. This company was acquired by ENGIE Africa.

### Offerings and business models

#### Approach

Schneider Electric develops products and solutions 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. These offerings also make it possible to maintain a sustainable economic and social activity and to include and involve local communities in projects.

#### Action plans

Offer a wide range of services for all energy access needs.

#### Individual lighting and charging of telephones



##### Mobiya

- Access to lighting and charging of telephones

#### Individual electrification



##### Homaya

- Access to lighting, fans, television, etc.

#### Collective electrification



##### Villaya

- Electricity for schools, health centers and other public buildings
- Battery charging
- Lighting for public areas and roads
- Easier access to water

#### Training



##### Teaching models, course contents

- Electrical distribution, automation, solar power, access to water, etc.

### Individual lighting and cell phone charging:

In 2013, Schneider Electric launched Mobiya TS120S, 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 handle allow you to position the lamp in seven different ways to adapt to various situations in daily life. Its original design has already won three awards. In 2015, the portable lamp is moving towards the Mobiya TS170S version, providing more light at an even more affordable cost. More than 100,000 lamps have been sold to date.

Since 2016, Schneider Electric has committed to offering these energy access solutions in emergency situations and has been working closely with UNHCR to find solutions that are suited to the specific needs of refugees and displaced persons. More than 20,000 Mobiya solar lamps have been deployed in refugee camps in Chad by the IKEA Foundation, a historic UNHCR partner. In January 2018, Schneider Electric and the UNHCR signed a memorandum of agreement to seal their commitment to provide refugees and displaced persons with sustainable and reliable access to clean energy.

### Individual electrification

In 2018, the Solar Home Systems (SHS) range grew with the launch of Homaya Hybrid, designed to enable access to quality, affordable and especially uninterrupted power. This new solution is dedicated to suburban areas where network connectivity is often intermittent. Homaya Hybrid is an inverter system for powering both AC or DC loads from energy supplied either via the grid or produced by solar panels. The energy produced can be stored in a battery if required. This solution gives priority to energy produced by the solar panels to ensure clean and free power. Homaya Hybrid enables households to connect appliances such as fans, televisions, tablets, lighting systems and refrigerators.

### Solar decentralized collective electrification:

#### Meeting collective needs, both domestic and entrepreneurial

Villaya Microgrids are solar-powered micro-grids configured to meet collective needs, both domestic and entrepreneurial, in remote sites. They are either 100% solar or hybrid, with no power limitation. In 2018, a new offering was launched with containerized solutions to facilitate the deployment and implementation of micro-grids in the most remote areas.

In April 2018, Schneider Electric unveiled EcoStruxure™ for Energy Access, an affordable, flexible and open platform that uses analytics to improve the profitability and efficiency of electricity micro-grids. Based on Villaya, EcoStruxure™ for Energy Access combines the software tools EcoStruxure™ Energy Access Advisor and EcoStruxure™ Energy Access Expert. This solution is used for real-time monitoring and analytics of site performance and household consumption, while proposing ways to improve operational efficiency and also to ensure the deployment and development of pico-grids, their scale-up with relevant offerings, as well as the customization of business models to fit the amount of energy available.

EcoStruxure™ for Energy Access has been deployed on a micro-grid in Malhpur, in Uttar Pradesh, a state in Northern India where 54% of households still live without electricity. Financed and managed by the HCL foundation, it has provided the inhabitants of Malhpur with access to reliable electricity. The monitoring and measurement of electricity consumption and production have enabled HCL to optimize peak management. There are plans to install about fifty micro-grids of this type. This will provide 50,000 people in more than 63 remote villages with electricity. The solar installed capacity of these micro-grids will range from 11 kWp to 55 kWp.

The benefits of the micro-grids for these rural families have been immediate. Where energy used to take up 20% to 25% of their expenditure, this has now been reduced to 15% to 20%. Over and above mobile phone charging, lighting of homes and shops, the ramp-up of these micro-grids will open up new development perspectives with the powering of water pumps and rice mills, as well as the electrification of schools and health centers which have been off-grid until now.

#### Dealing with emergency situations

To provide access to energy solutions to persons in emergency situations (refugees, victims of natural disasters), Schneider Electric has launched Villaya Emergency, a collective solar electrification solution that is easily deployed thanks to a system that combines the Group's most appropriate solutions with the expertise of innovative start-ups.

The system devised produces a minimum electrical power of 10 kilowatt-hours – enough to provide electricity to a village, a health center or individual or collective spaces in refugee camps – thanks to a system of solar panels that are easy to deploy and move. The solution is installed in a standard container to facilitate multiple trips to any part of the world within the shortest possible time.

### Community energy services:

The Villaya Water solution, launched in 2012, is an automatic solar water pumping system designed to provide drinking water, or for irrigation, for example in remote areas that are not connected to the electricity grid. It uses an advanced ATV312 Solar variable speed drive to regulate the speed of a three-phase motor depending on the energy supplied by the solar panels. Adaptable to all types of pumps, surface or submerged, using the Villaya Water solution ensures greater system reliability, simplified plumbing and reduced maintenance. Between 2012 and 2018, several solutions were installed in India as well as in several African countries as part of collective electrification projects.

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

### Schneider Electric, an eco-citizen company

#### Training offering:

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

#### Ensure that the sustainable economic models are adapted to local contexts

##### Last-mile distribution:

To reach people who live in rural areas with no access to electricity and to enable them to access the products developed by the Schneider Electric Group, Schneider Electric works with microfinance institutions and/or local partners who are capable of setting up distribution networks that sell products as close as possible to the targeted populations.

Some examples:

- Since 2013, Schneider Electric, Pamiga and Sorepco have been offering individual solar electrification solutions thanks to microfinance programs in rural villages in Cameroon. Nearly 150 “Energy Entrepreneurs” have been trained in the sale and use of Mobiya solar lamps and the Homaya individual electrification systems. At the end of June 2017, more than 4200 Mobiya and 300 Homaya had been sold.
- In 2018, Schneider Electric partnered with EnergieR in Senegal to launch the “Daarorgal” project. The aim is to set up sales outlets of products giving access to energy – such as Mobiya lamps and the Homaya system – and to develop youth entrepreneurship. Six retail outlets have been opened in the Fatick, Kaolack, Sédhiou, Kolda, Ziguinchor regions and the Island of Carabane in South-Western Senegal with 20 self-employed sales agents.

#### Training & entrepreneurship

##### Approach

The key challenge of training in the energy sector is to provide disadvantaged 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 disadvantaged populations in the energy sector includes three key priorities:

- Basic training over a few months, which is free and accessible to a large number of people, and adapted as much as possible to the local situation. These training courses lead to the issuing of a certificate of competence by Schneider Electric;
- Single-or multi-year trainings leading to qualifications, in partnership with local Ministries of Education, or even under bilateral agreements;
- The training of instructors to support the effective and quality roll-out of training down the line.

Building on the results of its trainings, the Access to Energy Training & Entrepreneurship program decided to go further by supporting social and informal entrepreneurs in the energy sector. Job markets in emerging and developing economies are strongly influenced by the importance of the informal sector, sub-activity or multi-activity in order to accumulate sources of income. Training in the specific skills needed by the entrepreneur, start-up support, support and financing are key to creating sustainable activities. In particular, we try to support women's entrepreneurship in the energy sector, integrate them at every step of the energy access value chain and find the right partners to create a supportive ecosystem.

These actions are always implemented in partnership with local players and/or national or international non-profit organizations (NGOs, governments, etc.). They systematically work with Schneider Electric's local subsidiary. The actions may be accompanied by funding for investments in materials and missions of the volunteers of the Schneider Electric Teachers association, which, if the need arises, enable the transfer of expertise.

Schneider Electric currently has a wide range of educational models tailored to the needs of emerging countries. This range is constantly being developed into the business lines and solutions of the future.

In India, the training program contributes to 270 centers (including nine solar energy training centers) across 26 States of the country. Since the inception of this program in 2009, we have trained over 100,000 unemployed youths from financially disadvantaged backgrounds and positively impacted their lives by providing them with skills.

Aligned with the vision and ambition of the program in Indonesia, Vietnam, Cambodia, the Philippines and Pakistan, we have partnered with vocational training centers to provide access to quality education for young people.

In Africa, Schneider Electric has contributed to the training of 20,000 young people in 22 countries with nearly 90 partners. In 2018 alone, 5,200 were trained. In 2018, Schneider Electric multiplied its partnerships with training centers to create electricity courses, with the support of its Foundation.

In July 2018, Schneider Electric and the Jesuits launched two electrician training programs for the disadvantaged communities in Lubumbashi, in the Democratic Republic of Congo. The target is to train nearly 500 electricians by 2020 in a region that lacks qualified workers. Schneider Electric helps to design the programs, provides suitable equipment and trains the instructors.



In September of last year, Schneider Electric inaugurated a center of excellence in Bandung, Indonesia, in partnership with the Indonesian and French governments. The center of excellence will develop an instructor training program for vocational training teachers and lab technicians in electricity, automation and renewable energies. The center's target is to train 240 teachers and 10,800 students within the next five years.

In addition to the center of excellence, Schneider Electric Indonesia is cooperating with the Indonesian government to gradually modernize the laboratories of 184 vocational training institutions by 2022.

In November 2018, Schneider Electric established a partnership with the Eastlands College of Technology in Nairobi, Kenya. The Group has fitted out an Electrical and Solar Energy laboratory and created training courses that will last from 3 months to 3 years, as well as instructor training courses.

Entrepreneurship is currently an aspect of training that Schneider Electric wishes to develop heavily in the years to come.

In 2018, Schneider Electric and Initiative France launched a program to support entrepreneurship in energy businesses in Burkina Faso. They will provide support to nearly 80 informal entrepreneurs in the energy sector between now and 2021. The program will include a training course to acquire the technical skills of the profession, financing solutions with the granting of interest-free honor loans, and the setting of a business creation financing system. Initiative France will draw on the 4 Initiative platforms in Burkina Faso to contribute to the financing and support of entrepreneurial creation or development projects in the country. Schneider Electric and the partner training centers in Ouagadougou and Bobo Dioulasso will provide technical training for entrepreneurs. The Schneider Electric Foundation will finance interest-free honor loans and support to entrepreneurs. As the honor loans are paid back, other entrepreneurs will take their place. In addition, a mentorship program may also be set up to support entrepreneurs in their strategic thinking.

Since starting the program in 2009, close to 190,000 people (of which 100,000 in India) have been trained in more than 40 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 1 million people, providing support for 10,000 entrepreneurs and training 10,000 instructors by 2025.

To achieve this ambition, in 2018 the Group contacted Power for All to create and circulate an appeal in favor of vocational training as well as a global campaign to promote decentralized renewable energy. The two players, joined by UN Women, the International Labor Organization, AMDA, CLASP, IRENA, launched the Powering Jobs campaign in September 2018, aimed at making skills and training a core focus, rather than a marginal one, of national and international energy access development policies. The players of the coalition are convinced that a higher level of commitment by donors, governments and the private sector is needed to create the millions of jobs that the development of decentralized renewable energy solutions could generate.

Through its Foundation, Schneider Electric is co-financing the Powering Jobs campaign alongside, notably, the Rockefeller Foundation.

## 5.2: The Schneider Electric Foundation

### Context and goals

Under the aegis of Fondation de France, the Schneider Electric Foundation supports future generations and forward-looking initiatives that will provide as many people as possible with the energy they need to fulfill their goals.

Present in more than 80 countries, the Foundation is heavily investing in local projects by mobilizing financial resources complemented with the skills and expertise of Schneider Electric and its employees.

In particular, it supports the following:

In emerging countries: ambitious vocational training programs in the electricity sector for underprivileged youth;

In more mature economies: innovative initiatives to support low-income families to fight against fuel poverty in Europe;

Broader, forward-looking initiatives to raise awareness of the challenges of sustainability.

In 2018, there were more than 100 projects, 196,162 young people receiving support and 5,691 days of volunteering.

With an annual budget of EUR 4 million, the Schneider Electric Foundation contributes to the partnerships by giving more than EUR 15.5 million in support from Schneider Electric's entities; employees are also involved in these partnerships. In total, more than EUR 19.5 million has been invested to help local communities.

### Schneider Electric, an eco-citizen company

#### Organization

##### The international network of Foundation delegates

The Schneider Electric Foundation focuses on the involvement of company employees in all the actions it implements. It carries out its work through a network of 130 employee volunteers, known as delegates. These volunteers, covering 80 countries, have a mission to identify local partnerships in the areas of vocational training in the energy trades, entrepreneurship, tackling fuel poverty, and sustainability awareness; to present them to employees in their units and then to the Foundation; and to monitor projects after their launch. 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 on the basis of recognized volunteering and formalized by a letter of engagement signed by the site manager and the Foundation for two years.

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

They also manage a digital platform that groups together all the missions proposed by the Foundation locally and internationally: VolunteerIn. Developed in eight languages, it can be accessed from anywhere in the world and enables employees to apply for volunteer assignments for the benefit of the Foundation's partners and their beneficiaries, around the topics of vocational training in the energy trades, support for families in fuel poverty, awareness of sustainability and social entrepreneurship.

Finally, the delegates coordinate the organization of the Schneider Electric Foundation's campaigns for international mobilization. They bring to the fore local partnerships at the global level. They also engage in campaigns organized following natural disasters.

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

##### A legal connection with 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 projects in a range of general-interest areas. The Fondation de France supports more than 9,800 projects annually with the donations it receives. In addition, it supports other foundations (more than 841 in 2018), 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 is made up of members of Schneider Electric, employee representatives and other qualified individuals.

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

- Chairman: Henri Lachmann;
- Members: Charles Bouzols (external expert), Marc Bidaut (employee representative, Schneider Electric), Xavier Emmanuelli (external expert), Thierry Gouin (Schneider Electric), Christel Heydemann (Schneider Electric), Jean Kaspar (external expert), Cathy Kopp (external expert), Emmanuel Lagarrigue (Schneider Electric), Sylvie Leyre (Schneider Electric), Jean-Pierre Rosenczeveig (external expert) and Jean-Pascal Tricoire (Schneider Electric).

##### An operational team and a selection committee

The members of the operational team are: Gilles Vermot Desroches, General Delegate; Patricia Benchenna, Director of Programs; Brigitte Antoine, Employee Engagement and Morgane Lasserre, Administrative Assistant. The selection committee is made up of three members: the Foundation's General Delegate, the Foundation's Program Director and the Director of the Access to Energy Training & Entrepreneurship Program.

#### Programs

##### Vocational training in energy trades and entrepreneurship

Since 2009, the Foundation has been supporting the Access to Energy program to improve energy access in new economies through the development of vocational training in energy management trades for the most underprivileged.

To facilitate the integration and professional training of these young adults, the Schneider Electric Foundation continually encourages and supports national and international integration associations or electrical profession educational organizations.

This training and integration program captures 63% of the funding allocated by the Foundation. All of these actions are monitored and measured on a quarterly basis within the scope of the Schneider Sustainability Impact through a key performance indicator.

Since 2009, 196,162 underprivileged people have been trained in the energy management professions in more than 45 countries. The goal is to train 350,000 people by 2020 and 1 million by 2025.

### Tackling fuel poverty

In 2013, the Schneider Electric Foundation stepped up its commitment to contribute to the fight against fuel poverty in mature economies by supporting the implementation of information and awareness campaigns and supporting actions targeting households facing this type of poverty:

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

### Spotlight on the European partnership with Ashoka

Ashoka and the Schneider Electric Foundation are convinced that the best way to contribute to the fight against fuel poverty is to invest and to involve social entrepreneurs who create innovations that contribute to changing the system.

Under a partnership launched in 2015, Ashoka and the Schneider Electric Foundation, under the aegis of the Fondation de France, have once again committed themselves as part of a second call for projects related to "Social innovation to reduce fuel poverty". While continuing to support innovators selected in 2015, the 2017-2018 program, in partnership with ENEL, has been expanded to new European countries: Germany, Greece, Italy, Portugal and Spain. 15 winners were given support for their upscaling project with 300 hours of mentoring, and benefited from inspirational meetings within a European network of peers and increased visibility throughout the program. Schneider Electric's employees have also contributed their skills to the projects through the Schneider Electric Teachers association.

### Spotlight on the partnership in France with Les Petites Pierres and the Rénovons collective

In 2018, the Schneider Electric Foundation joined the endowment fund Les Petites Pierres. Created by the Somfy Foundation in 2013, Les Petites Pierres is a collaborative crowdfunding platform against poor housing.

Since 2018, Les Petites Pierres has been reinforced by the contribution of the Schneider Electric Foundation, which has become a Member of Les Petites Pierres, together with the Somfy Foundation. By making this modern tool available to associations, Les Petites Pierres harnesses the power of crowdfunding to set off an outpouring of generosity open to all in the Housing sector, to enhance the value of the work accomplished by associations and to unite donor communities. The funds provided by the Schneider Electric Foundation are aimed at tackling fuel poverty and, more generally, poor housing. At the end of 2018, it had supported 201 projects with a success rate of more than 97% for all the years.

Since 2018, the Schneider Electric Foundation has also supported the "Rénovons!" initiative. "Rénovons!" is a broad alliance that brings together the stakeholders of civil society in France, in a broad sense, who are committed to promoting energy efficiency through the energy refurbishment of buildings in France. The renovation of buildings, especially the least energy efficient ones, must make it possible to structurally reduce fuel poverty.

The project informs the decision-makers and the general public of the necessary conditions and the existing solutions that will bring quality energy refurbishment programs to a mass-market and promote economic, social, environmental and health benefits, and also make the housing units concerned safer through energy efficiency.

Launched in 2016, the "Rénovons!" initiative has already produced a common vision for the refurbishment of energy inefficient homes as well as the Rénovons! Scenario.

### Raising awareness about sustainability

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.
- The ability to build together, to break down barriers.
- 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.

### Schneider Electric, an eco-citizen company

#### Spotlight on COP24

At the COP24 held in Katowice (Poland) from December 2 to 14, 2018, the Foundation proposed several initiatives, in particular with Art of Change 21 and Ashoka.

These brought together major French and international stakeholders in the areas of social entrepreneurship, energy, culture and the climate. In particular, we can cite Maskbook exhibitions and workshops, a conference on the theme "Artists and the Climatic Challenge" with the association Art of Change 21, two conferences and a workshop on fuel poverty in partnership with the international NGO Ashoka.

The aim of these initiatives was to demonstrate that creativity and innovation are major levers of transition dynamics and to offer the general public innovative and original means of action and reflection, mobilizing their own creativity and life stories.

#### 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. Whether they are Foundation delegates or employee volunteers, they are the link between the Company, the Foundation and the supported organizations.

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

- For the benefit of the Foundation's partners:
- Teaching programs and vocational training programs for access to energy,
- Support of families affected by fuel poverty;
- For the benefit of social entrepreneurs supported through the Schneider Electric Energy Access (SEEA) investment fund.

Since the creation of Schneider Electric Teachers, 1,632 missions have been completed.

#### Governance

The Schneider Electric Teachers association lodged its by-laws with the prefecture in France in February 2012. Its board is composed of current and former Schneider Electric directors and members of the Sustainability Department involved in the Access to Energy program. The members are: Olivier Blum (President, Chief Human Resources Officer), Michel Crochon (Vice-President), François Milioni (Secretary, head of Training Program), Christophe Poline (Treasurer, head of SEEA Social Welfare Investment Fund), Emir Boumediene (member, representing volunteers), Gilles Vermot Desroches (member, Sustainability Manager). The board met four times in 2018, and a General Meeting was held in December 2018.

After six years in existence, 180 partners in 80 countries have joined the initiative. The community of volunteers includes close to 6,000 employees.

#### 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:

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

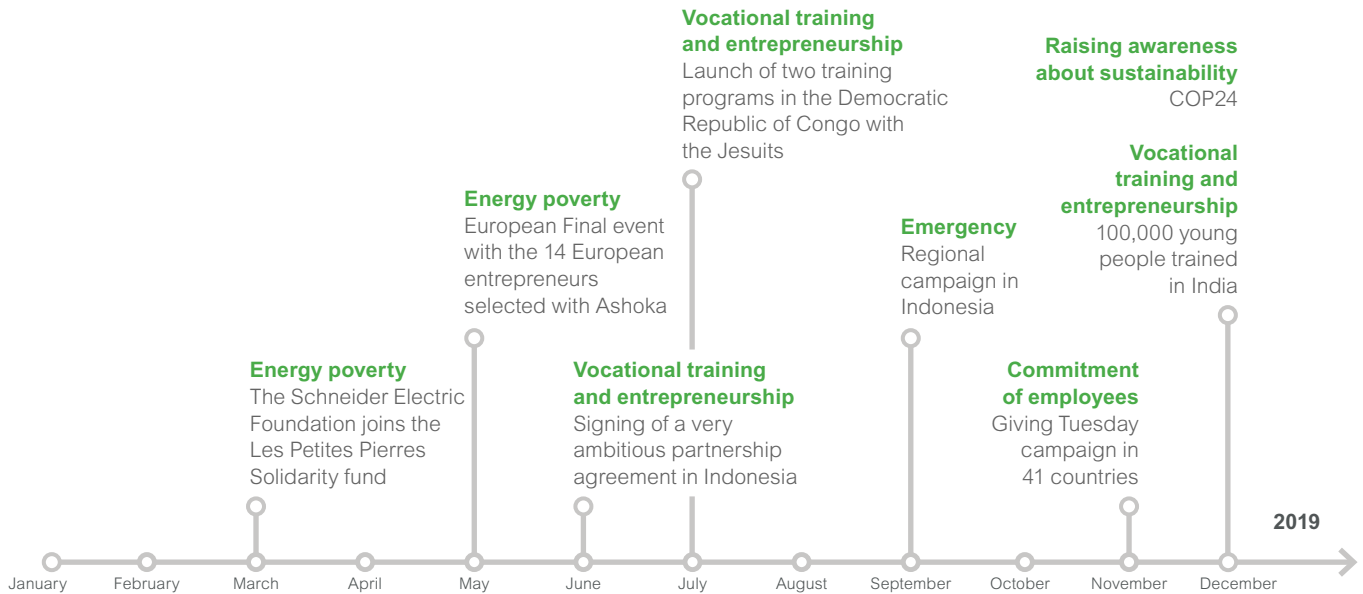
#### Missions

Its 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:
- Missions that have benefited from the support of the Schneider Electric Energy Access social welfare investment fund, or
- Missions that have been established following training (management audit, finance, communications, financing research, management, Human Resources, engineering, etc.).

For more information: [www.fondation.schneider-electric.com](http://www.fondation.schneider-electric.com) and <https://volunteerin.schneider-electric.com>.

## Highlights of 2018 for the Schneider Electric Foundation



### Initiatives in North America

The Schneider Electric North America Foundation develops community-based programs that connect with Schneider Electric employees and enable their strong commitment in ways that are most meaningful to our employees. To achieve this, we offer the programs below:

- *Matching Gift* provides a dollar match on employee donations to the non-profit of their choice;
- *Dollars for Does* provides financial grants to organizations where our employees volunteer their time;
- *Sponsorship Grants* provide financial and product grants to sponsor events, capital projects and employee missions;
- *Schneider Scholarships* are available for children of employees.

In 2018, the North America Foundation contributed USD 4 million in financing to various charitable organizations.

### Initiatives in India

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

#### Vocational training and entrepreneurship

- Training and education: development of skills among young people without jobs who have left school and college; scholarships for deserving students coming from the most disadvantaged social classes; training of school children in energy saving and environmental protection;
- Entrepreneurship: support of young people trained under the Schneider Electric Energy Access program with a view to founding a business;
- Employment: support of young people trained under the Schneider Electric Energy Access program so that they can find a job.

In 2018: partnership with training centers; electrical training for 20,100 unemployed youth.

Since the creation of the Foundation: 100,000 people trained in electricity trades and 150 Schneider Electric Teachers missions.

#### Education

In 2018: 105 schools in 10 Indian cities integrated into the "Conserve by Planet" education program; participation of 13,000 students and 210 teachers.

#### Electrification

- Electrification of underprivileged households in remote areas;
- Emergency support: restoration of the electricity grid after a natural catastrophe.

In 2018: 6,500 homes electrified.

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

### Schneider Electric, an eco-citizen company

#### 5.3: Territorial positioning and local impact on economic and social development

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

##### Business creation and takeover support in France

For more than 24 years now, Schneider Electric in France has supported employee projects to create businesses or business takeovers through Schneider Initiatives Entrepreneurs (SIE), through a dedicated structure (Pass Créations) demonstrating the Group's commitment to its local labor markets: promoting actions to support local economic development, proposing and supporting volunteer employees in reliable career paths that are external to the Group. It comes resolutely within the development of a spirit of entrepreneurship.

SIE provides support for Schneider Electric employees at all stages of business creation, as well as afterwards, with a follow-up period of three years. Sustainability rates at three 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 1,950 project owners have been supported, and 1,300 of them have resulted in the creation or takeover of a business: these include electricians, bakers, consultants, graphic designers, asset managers, florists, etc., creating more than 3,550 jobs. Specific support is offered for energy-related projects. These accounted for almost 20% of all supported projects in 2018.

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 Réseaux Entreprendre, France Initiative and other local structures.

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 (business creation and takeover support for employees), in particular through the DIESE association made up of other major groups.

Since 2008, we have showcased and rewarded the six 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 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);
- Pass Compétences system, which allows experienced managers to take long-term assignments with SMEs. These experts invest in structuring and strategic development projects for SMEs;
- Support for organizations dedicated to the creation of activities and companies (Réseau Entreprendre, France Initiative, etc.);
- A club of companies that brings together the main French industrials (CIADEL) to support actions in favor of the local economy by their combined means and shared experiences.

Other organizations such as ADIE (Association for the Right to Economic Initiative) are also financially supported.

##### Giving support to Associations and NGOs

SIE supports employees who want a career path external to the Group within the framework of a skills-based sponsorship system called Pass Associations. This system enables employees to work on defining projects with partner associations or NGOs for one or two years. It encompasses all types of professions, and there are some thirty effective assignments each year.

These specific systems are valued and taken into account in human resources processes and management in France.

##### Revitalization of local employment pools in France

The pilot SIE structure was used to implement the revitalization actions put in place during the industrial development of certain local labor markets. The involvement of teams in local economic networks optimizes the allocation of resources where they are most needed under these agreements.

Sixteen 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.

In this way, SIE's action also facilitated and supported the takeover of former Schneider Electric sites by guaranteeing them industrial sustainability.

### Access to Energy entrepreneurs

The attachment of the SIE teams to the Sustainability 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, six countries are classified as priorities, and programs are being rolled out.

Similarly, the SIE teams provide help and support to entrepreneurs from partner associations such as Unicités, Institut de l'engagement (the Institute of engagement) or local missions.

This results in the development of teaching modules and the deployment and operation of these training modules.

### Social insertion of disadvantaged 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. Such is the scope of the initiatives implemented by the Schneider Electric Foundation. These actions complement the partnerships established within the framework 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. They come primarily from certain disadvantaged areas from the Priority Neighborhoods of the City Policy (QPV) and are ready to embark on a path of professional integration.

The objective is to facilitate access to long-term employment thanks to a personalized course of qualification with the help of a number of associated companies managed by one or two pilot companies.

This joint management with a player on the employment scene, most often the youth employment center, Mission Locale, results in a very rich public and private partnership that is of great benefit to the young people.

Government support and in particular the support of its decentralized services guarantees the success of this initiative.

The goal is to attain a positive outcome of 60%, with participants obtaining a fixed-term or temporary contract of more than six months, a permanent contract or a skills-qualification or diploma training, of which more than 50% are 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 2018 more than 6,100 young people had been assisted.

Schneider Electric works to help inhabitants of the disadvantaged neighborhoods identified in the City Policy (QPV) and is naturally in line with the paQte (Pact with Neighborhoods for all Companies) with respect to the four pillars of Raise Awareness/Train/Recruit and Buy. For example, it has implemented specific actions to take in junior secondary students who have to carry out a one-week placement, in partnership with the association Tous en Stages; to take apprentice students; to challenge our service providers by including integration clauses in our contracts and to encourage our suppliers to become committed to an approach of vocational integration of persons who are outside the job circuit. With the help of employment agencies, our industrial establishments in France have therefore put in place temporary occupational integration contracts (CIP) and interim open-ended employment contracts (CDI-I), which accompany the unemployed towards long-term employment and encourage temporary work that integrates people.

Finally, Schneider Electric has partnered with many other structures or associations: École de la deuxième chance, les Entreprises pour la Cité, FACE, Télémaque, Fondation de la 2e Chance, EPA, La Cravate Solidaire, la Varappe, etc.

## Methodology and audit of indicators

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## 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 Schneider Sustainability Impact's indicators and for Human Resources, safety and environmental data.

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

In keeping with its commitment to continuous improvement, Schneider Electric asked Ernst & Young to conduct a review in order to obtain a "limited" level of assurance for certain Human Resources, safety and environmental data indicators, and all of the key performance indicators from the SSI (see Independent verifier's report on pages 182-183). The audit work builds on that conducted since 2006.

### Human resources, safety and environment indicators

The Human resources, safety and environmental data comes from several dedicated reporting tools, primarily: Human Resources Analytics for the Human Resources data and GlobES (Global Environment and Safety) for the safety and environment data. Its consolidation is placed respectively under the Global Human Resources and the Global Supply Chain functions. Energy is managed with the Group's own solutions, Resource Advisor. 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.

Breakdown of workforce data (by gender, category, age and seniority), sites declaring employee representation and the number of collective agreements cover 90% of the total workforce. Performance interviews have taken place with 96% of the eligible workforce. Training programs cover 99% of the workforce (My Learning link).

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 FTE 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 FTE 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 Schneider Sustainability Impact

### 80% renewable electricity

This indicator measures the share of renewable electricity in Schneider Electric electricity supply, on the scope of environmental reporting (industrial sites >50 employees and tertiary sites > 500 employees certified ISO 14001). Five different types of renewable sourcing are taken into account: renewable electricity produced onsite and consumed onsite, renewable electricity produced onsite and sold to a 3rd party, renewable power purchase agreements (PPAs), green tariffs and renewable certificates (depending on the country, REC, iREC, GO, etc.).

Electricity purchased with no specific renewable electricity claim is not taken into account, even if the electricity mix of the supplier includes a share of renewable power.

This indicator was audited by Ernst & Young.

### 10% CO<sub>2</sub> savings from transportation

This indicator includes emissions from the transport of goods purchased by Schneider Electric, covering 75% of the Group's total transport costs.

The measurement of CO<sub>2</sub> equivalents combines the impact of the following greenhouse gases: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, SF<sub>6</sub>, PFCs, NO<sub>x</sub> and water vapor.

Two methods, developed in partnership with a specialized firm, are used by carriers to measure CO<sub>2</sub> 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).

Current year data are corrected based on carbon intensity of previous year, so that gains in carbon efficiency take into account changes in business activity. 2018 is the first year of the 2018-2020 triennial strategic plan.

The target by the end of the program is to reduce our CO<sub>2</sub> emissions by 10% (sum of productivity gains over the three years)

Calculation methodology and reporting in the SSI of the transport CO<sub>2</sub> KPI:

- In 2018: 2018 reduction vs 2017
- In 2019: 2018 reduction vs 2017 + 2019 reduction vs 2018
- In 2020: 2018 reduction vs 2017 + 2019 reduction vs 2018 + 2020 reduction vs 2019

This indicator was audited by Ernst & Young.

### 100 million metric tons CO<sub>2</sub> saved on our customers' end thanks to our EcoStruxure offers

This indicator measures CO<sub>2</sub> savings delivered by Schneider Electric offers to customers. CO<sub>2</sub> savings are calculated for sales of the reporting year and cumulated over the offers' lifetime. Emissions are calculated as the difference between induced emissions with Schneider Electric's offer and induced emissions in the reference situation.

The methodology distinguishes "saved" and "avoided" emissions: saved CO<sub>2</sub> emissions correspond to brownfield sales that enable reduction of global CO<sub>2</sub> emissions compared to previous years, and avoided CO<sub>2</sub> emissions correspond to greenfield sales that enable a limitation of the increase of global emissions. Brownfield sales correspond to the situation where the offer sold replaces or upgrades an existing system, leading to a change of GHG emissions of installed infrastructure versus the previous year. For "saved emissions", the "brownfield reference situation" is defined as the situation before the new solution is sold and installed at the customer's site. Only "saved CO<sub>2</sub>" emissions are published in this indicator but both "saved" and "avoided" emissions are calculated with the methodology.

The calculation of CO<sub>2</sub> impact of offers over their lifetime is based on sales data per product range. Market data and expert assumptions are used to determine the use-case scenario of offers and the associated CO<sub>2</sub> impact. This methodology is associated to typical uncertainties of CO<sub>2</sub> corporate accounting methodologies, and conservative assumptions are preferred.

More methodological details can be found in a methodology guide that will be made public in 2019. In 2018, results were calculated using version 1 of the methodology guide.

This indicator was audited by Ernst & Young.

### Methodology and audit of indicators

#### 25% increase in turnover for our Energy & Sustainability Services

Energy and Sustainability Services (ESS) is a global Division of Schneider Electric and has its own node in the Group reporting system. (see Active Energy Management section pages 107-109).

Every year all Group entities perform a restatement of their Outside Group Sales in order to neutralize all the changes of perimeters (internal and external). Thanks to this exercise, the year on year OG sales growth is at constant perimeter and is also at constant rate.

The measurement is taken directly from the Group reporting system.

This indicator was audited by Ernst & Young.

#### 75% of sales under our new Green Premium program

A product is declared Green Premium™ when it meets all the following conditions:

- It complies with the European RoHS Directive;
- It has information available concerning the presence of Substances of Very High Concern (SVHC) under the European REACH regulation and refers to the 2 most recent lists;
- It does not contain any REACH SVHC's past the sunset date;
- It has a Life Cycle Analysis (ISO 14044) with an Environmental Disclosure available for customers (ISO 14025 Type III or ISO 14021 Type II) 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;
- It has a guide that identifies and locates the sub-assemblies or components that require a particular recycling process, referred to as the "Circularity Profile";
- It complies with at a minimum two performance claims or one external label, as listed in the Green Premium Playbook.

The indicator measures the share of sales made with a Green Premium™ offer from sales figures for 2017.

The Green Premium™ eligible scope for 2018-2020 covers all Schneider Electric Businesses: Energy Management, Industrial Automation and Services, except Video Products, Residential and Thermal Control and Low Voltage Equipment.

The Green Premium program has been expanded in early 2018 to include additional environmental performance claims, the deployment is phased for 2018-2020, starting with product offers only.

The total eligible turnover for 2018, obtained from our product sales consolidated at Product Reference, amounts to EUR14.41 billion.

This eligible turnover will be extended in 2019 and 2020 to include Services & Software.

This indicator was audited by Ernst & Young.

#### 200 sites labeled Towards Zero Waste to Landfill

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, as well as 100% proper handling and treatment of hazardous waste. Proper handling and treatment of hazardous waste means that hazardous waste shall be handled as per Schneider Electric's requirements and local regulations, whichever is the most restrictive.

Waste is considered as recovered if it is sent to a waste provider for recycling or disposal in any manner except landfill and incineration without energy recovery. Waste composting and energy recovery systems qualify as recovered.

This indicator relates to all sites included in the environment reporting perimeter.

This indicator was audited by Ernst & Young.

#### 100% cardboard and pallets for transport packing from recycled or certified sources

The objective is that, from 2018 to 2020, cardboard and pallets, purchased by Schneider Electric for transportation, to progressively increase to be 100% from recycled materials or certified sources.

The scope includes tier-one strategic suppliers till 2020 with a direct purchase of cardboard and pallets in the Schneider Electric procurement system. Geographically, all regions under the Global Supply Chain will be covered.

Every reporting period, the spend on cardboard and pallets is extracted from the system and each element is classified as 'Recycled', 'Certified' or 'None'. Verification is done for 'Recycled' and "Certified" declarations on the definitions already provided as well as certificates and other documentary evidence from suppliers. The list of eligible certificates/documents is continually updated to make it exhaustive and to cover countries' specificities.

A global campaign is being run in all global supply chain regions to progressively move the spend to 'Recycled' or 'Certified' sources with sponsorship from top management.

This indicator was audited by Ernst & Young and the 2018 figures have been validated.

### 100,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling and take-back programs

This indicator quantifies all industrial activities that contribute to the Circular Economy model, such as repair, reuse, refurbish and recycling, thus avoiding waste, material & energy consumption, CO<sub>2</sub> emissions and/or water depletion.

The scope includes worldwide activities across all businesses (Energy Management, Industry, Services) and relevant product families (LV/MV Equipment, Transformers, UPS-es, Inverters, protection relays, PLCs etc), with offers like ECOFIT™, take-back programs and recycling.

The indicator is calculated as the sum of primary resources consumption avoided by each activity, with calculation method varying per activity. When available, exact weight are reported. Otherwise, average weight for each category of device is used to calculation.

Each activity reports quarterly, half-yearly or annually, depending upon the activity. The verification is done based on ERP/logistics systems extracts, sales datasheets or third-party certificates.

This indicator was audited by Ernst & Young.

### 70% scored in our Employee Engagement Index

During the OneVoice satisfaction surveys, Schneider Electric employees are asked a series of questions; 6 of them are used to generate the Employee Engagement Index (EEI). The EEI is a standard international index.

Employees are surveyed once a year from 2018, to free up HRBPs and Managers' energy and gain more time to deep dive into the results and build specific action plans. All employees are surveyed, Open-Ended Contracts and Fixed-Term Contracts with active status in Talent Link (excluding trainees and interim staff). 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.

### 1 medical incident per million hours worked

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 Schneider Electric employees and other employees working under the supervision of Schneider Electric, i.e. 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.

This indicator was audited by Ernst & Young.

### 90% of employees have access to a comprehensive well-being at work program

This indicator measures the number of employees having access to our combined commitment for wellbeing at work program.

The first pillar of the program is the access to medical coverage. Schneider Electric ensures that it provides its employees access to a standard level of healthcare coverage, irrespective of level, and provides access to healthcare coverage for their eligible dependents. Access to cover is defined by local regulations and employment agreements, i.e. collective and/or labor agreements. Cost of the standard level of healthcare cover may be borne by the company and/or the employee.

The second pillar focuses on training our employees to leverage their Well-Being (awareness). Well-Being training is defined as a learning experience for our employees to address at least one of the 4 dimensions that enhance well-being and performance: Physical (quantity – comprised of sleep, nutrition, exercise, rest and renewal, Emotional (quality), Mental (focus, including Mindfulness), Social/Spiritual (purpose). Employees can attend a training provided by the Global HR Well-Being team, or a local training that has been reviewed by global.

The indicator covers all countries Open End Contract active employees under SE compensation and benefit framework, including DVC and NDVC. Including China Fixed Term Contract active employees.

Third Party Contractors, Joint Venture and Recent Acquisition are excluded.

This indicator was audited by Ernst & Young.

## **Methodology and audit of indicators**

### **100% of employees are working in countries that have fully deployed our Family Leave policy**

This indicator measures the percentage of employees who work in countries that have fully deployed our Family Leave policy.

Under the Family Leave policy, countries must meet the global minimum standards of the policy, which include fully paid leave for primary parental leave (12 weeks) for both natural birth and adoption, secondary parental leave (2 weeks) for natural birth and adoption, care leave for immediate family members that require elder care or care for a serious health condition (1 week) and bereavement leave (1 week).

All permanent employees globally and fixed-term contracts in only China are included. Supplementary workers, other fixed-term contracts, trainees, apprentices are excluded.

This indicator was audited by Ernst & Young. This indicator was audited by Ernst & Young.

### **100% of workers are doing at least 12 hours of learning in the year, and 30% of the workers learning hours are done digitally**

Schneider Electric workers – shop floor employees in Plants and Distribution Centers – need to get connected to digital tools and digital training resources in order to develop themselves, be able to grow in the company and develop their career. Eligible worker scope represents 97% of Schneider total workers population (interim staff and interns as well as people joining after Jan 31st of the year are excluded).

For this, the ambition is that each worker will do a minimum of 12 hours learning each year, and also, 30% of all workers' learning hours will be done digitally, using resources provided to all as the digital learning corner resources that Schneider Electric is setting in all its plants and Distribution center.

The indicator is the average of the completion of the 2 ambitions.

This indicator was audited by Ernst & Young.

### **90% of white collars have individual development plans**

All white-collar employees are required to participate in an annual Development Discussion with their manager that is linked to but separate from the annual Performance Review. This should result in the updating or creating of an individual development plan. During 2018, 78% of white-collar employees created or updated an individual development plan with at least one specific development goal. This represents a significant increase over the equivalent figure for 2017 of 32% and positions us well to achieve our target of 90% with a current development plan by 2020.

This indicator was audited by Ernst & Young.

### **95% of employees are working in a country with commitment and process in place to achieve gender pay equity**

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 globally and fixed-term contracts in only China are included. Supplementary workers, other fixed-term contracts, trainees, apprentices are excluded.

This indicator was audited by Ernst & Young.

### **5 pts/100 increase in average score of ISO26000 assessment for our strategic suppliers**

The objective is to motivate "recommended" (also called "strategic") Group suppliers to roll out and monitor improvement plans conforming to ISO 26000. An assessment of recommended suppliers is carried out by a third party. Suppliers whose assessments are too low are not considered as per ISO 26000 guideline. 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 Group has set to engage all its strategic suppliers in a process of continuous improvement on this pillar. At the end of 2018, Strategic suppliers represent c. 60% of Schneider Electric's purchases volume. Strategic suppliers who have passed the third-party evaluation process cover around 80% of total strategic purchasing volume. 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.

### **300 suppliers under Human Rights & Environment vigilance received specific on-site assessment**

This indicator measures the number of On-site audits performed, regarding Environment, Health & Safety, Labor (Human right) and Management System pillars. The targeted suppliers are defined leveraging a 3rd party methodology and the audit referential is from recognized best industry practices RBA alliance (Responsible Business Alliance).

This indicator was audited by Ernst & Young.

### 100% of sales, procurement, and finance employees trained every year on anti-corruption

A new anti-corruption e-learning was launched in April 2018. It lasts 25 minutes, is available in several languages (including French and English) and covers all aspects of the anti-corruption compliance program of the Group.

It has been developed by the Compliance Team which is responsible for modifying it every year to keep it up to date. The HR Learning Team validates the media and ensures the deployment and monitoring via My Learning Link.

This training is available to all employees and is mandatory for 100% of the employees most at risk of corruption, namely the sales, procurement and finance functions.

To ensure that the messages delivered during the training are well understood, systematic quiz knowledge is checked. A good response rate must be sufficient to complete the training.

This training must be done every year and within 90 days of being assigned. As such, a new version of the training is assigned. In addition, all new sales, procurement and finance employees must complete this training upon their arrival and within 90 days of being assigned.

This indicator was audited by Ernst & Young.

### x4 turnover of our Access to Energy program

This indicator tracks the growth rate of the Access to Energy program's annual turnover, based on the actual 2017 turnover.

It covers the sales in Africa and Middle-East, 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.

This indicator was audited by Ernst & Young.

### 350,000 underprivileged people trained in energy management

The deployment of professional training programs in energy management dedicated to underprivileged people 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. These courses are defined according to a local reference and justifiable by the partner.

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 vocational training courses with diploma or certification in energy management. The minimum of duration of these courses is 3 months, (or totaling 100 hours).

Contributions may be (cumulative possible):

- funding of electrical and didactic equipments, donation of request equipment, 1st generation, for practical work,
- knowledge transfer through trainer training, and support for future entrepreneur training.

As a technical partner, Schneider Electric does not pay operating expenses.

Backdated reporting is admitted in the reporting guidelines. Hence, as 2017 data from China was omitted in the 2017 reporting, it was added in the 2018 reporting. (13% of 2018 data)

This indicator is annually audited by Ernst & Young.

### 12,000 volunteering days thanks to our VolunteerIn global platform

Schneider Electric's collaborators engagement actions take place within vocational training organizations in the energy field (vocational and technical training, schools, universities, etc.), NGOs committed to tackling fuel poverty and companies supported by the Schneider Electric Energy Access Fund. They principally benefit young/young adults or underprivileged families and are organized depending on the personal or professional skills of the volunteers and the needs identified by the supported organizations (specialized or non-specialized needs).

To give employees a better overview about possible commitments and to support the development of its actions, the Schneider Electric Foundation has set up a new digital tool called VolunteerIn. This multilingual platform enables group employees to apply for volunteer missions among Foundation's partners.

One day of volunteering is counted when a staff member dedicates 5 hours of his time for of one of these partner organizations. The indicator also includes the training missions organized as part of the Schneider Electric Teachers NGO, some of them taking place abroad for a period of 5 days minimum.

This indicator has been audited by Ernst & Young.

Methodology and audit of indicators

6.2: Concordance of indicators with the French Extra-Financial Performance Declaration themes

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

	Pages
<b>Business Model</b>	12-13
<b>Description of the main extra-financial risks</b>	89-93
<b>Description of policies in place to prevent, identify and mitigate the main extra-financial risks, as well as their results and key performance indicators</b>	89-93
<b>1 Social information</b>	<b>Pages</b>
<b>a) Employment</b>	
Total workforce and breakdown of employees by gender, age and region	188-189
Hiring and layoffs	190
Remuneration and its development	158-159; 243-271
<b>b) Organization of work</b>	
Organization of working time	190-193
Absenteeism	191-192
<b>c) Social relations</b>	
Organization of social dialog – particularly information and personnel consultation procedures and personnel negotiation procedures	159-161; 192
List of collective agreements	159-161; 192
<b>d) Health and safety</b>	
Health and safety conditions in the workplace	143-145; 191-192
List of agreements signed with unions or employee representatives regarding health and safety in the workplace	192
Work accidents, particularly their frequency and their severity... ... as well as occupational illnesses	191-192 192
<b>e) Training</b>	
Training policies implemented	148-151
Total number of training hours	192
<b>f) Equality of treatment</b>	
Measures taken towards gender equality	151-158
Measures taken towards employment and involvement of persons with disabilities	155
Anti-discrimination policy	114-118; 151-153
<b>g) Promotion and respect of the provisions of the International Labor Organization's fundamental agreements relating to:</b>	
respect of the freedom of association and the right to collective bargaining; eradication of discrimination in employment and profession;	102-103; 109-111;
eradication of forced or obligatory labor; effective abolition of child labor.	114-119; 159-161

<b>2 Environmental information</b>	Pages
<b>a) General environmental policy</b>	
Organization of the company to take into account environmental questions and, when necessary, environmental evaluation or certification approaches	123; 129; 130-140; 184
Employee training and information actions regarding environmental protection	115; 130-131; 192-193
Environmental risk and pollution prevention means	136
Amount of provisions and cover for environmental risks except if this is likely to cause serious harm to the company in a pending litigation	66
<b>b) Pollution</b>	
Measures for prevention, reduction or repair of emissions in the air, water and ground with serious environmental effects	135
Consideration of any form of pollution specific to an activity, particularly noise and light pollution	136
<b>c) Circular economy</b>	
<i>Waste prevention and management</i>	
Measures for prevention, recycling, reuse, other forms of recovery and removal of waste	136-139
Actions to combat food waste and food insecurity, to respect animal welfare and responsible, fair and sustainable food	NM
<i>Sustainable use of resources</i>	
Water consumption and supply according to local constraints	135; 185
Raw material consumption and measures taken to improve the efficiency of their use	72; 130-140
Energy consumption and measures taken to improve energy efficiency and the use of renewable energies	130-134; 184-186
Land use	136
<b>d) Climate change</b>	
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.	124-127; 185-186
Measures taken to adapt to the consequences of climate change	90; 122; 124-127
Reduction targets set voluntarily in the medium and long term to reduce GHG emissions and means implemented for this purpose	85; 90; 94; 124-127; 130-134
<b>e) Biodiversity protection</b>	
Measures taken to preserve or develop biodiversity	66; 100; 130-140
<b>3 Information relating to societal commitments in sustainable development</b>	Pages
<b>a) Territorial, economic and social impact of the company's activity</b>	
Regarding employment and regional development	162-167; 172-173
On neighboring or local populations	162-167; 172-173;
<b>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</b>	
Conditions of dialog with these persons or organizations	96-97
Partnership or sponsorship actions	98-100
<b>c) Subcontracting and suppliers</b>	
Consideration within the company's purchasing policy of social and environmental issues	109-114
Consideration within relations with subcontractors and suppliers of their social and environmental responsibility	109-114
<b>d) Loyalty of practices</b>	
Anti-corruption actions taken	114-118
Measures taken towards consumer health and safety	127-129
Actions taken against tax evasion	119
<b>e) Other actions taken towards human rights, within the scope of this third indicator</b>	119

NM = Non material for Schneider Electric

## Methodology and audit of indicators

### 6.3: Independent third party's report on the consolidated non-financial statement presented in the management report

Year ended on 31 12 2018

*This is a free translation into English of the original report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

To the General Assembly,

In our quality as an independent third party, accredited by the COFRAC under number n° 3-1050 (whose scope is available at [www.cofrac.fr](http://www.cofrac.fr)), and as a member of the network of one of the statutory auditors of your company (hereafter "entity"), we hereby report to you on the consolidated non-financial statement for the year ended on 31 12 2018, (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of articles L. 225 102-1, R. 225-105 et R. 225-105-1 of the French Commercial Code (Code de commerce).

#### The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Criteria"), the main elements of which are presented in the Statement and available on request from the entity's head office.

#### Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the Code of Ethics (Code de déontologie) of our profession. In addition, we have implemented a quality control system, including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

#### Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e. the outcomes of the policies, including key performance indicators, and the measures implemented considering the principal risks, hereinafter the "Information".

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, particularly the French duty of care law and anti-corruption and tax evasion legislation;
- the compliance of products and services with the applicable regulations.

#### Nature and scope of the work

Our work described below has been performed in accordance with the provisions of articles A. 225 1 et seq. of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable in France to such engagements, as well as to the international ISAE standard 3000 – *Assurance engagements other than audits or reviews of historical financial information*.

The work that we conducted allows us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- We took note of the activity of all the companies included in the scope of consolidation, the statement of the main social and environmental risks related to this activity, and, where applicable, the impact of this activity on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- We assessed the suitability of the Criteria with respect to its relevance, completeness, reliability, neutrality and understandability by taking into consideration with industry best practices, where appropriate;
- We verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III, as well as information regarding human rights and the anti-corruption and tax evasion legislation;
- We verified that the Statement includes an explanation for the absence of the information required by the 2nd paragraph of III of Article L. 225-102-1 of the French Commercial Code;
- We verified that the Statement presents the business model and the principal risks associated with the activity of all the entities included in the scope of consolidation; including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and outcomes, including key performance indicators;
- We verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II;
- We assessed the process used to select and validate the principal risks;
- We asked about the existence of internal control and risk management procedures the entity has put in place;



- We assessed the consistency of the outcomes and the key performance indicators with respect to the principal risks and policies presented;
- We verified that the Statement includes a clear and reasoned explanation for the absence of a policy regarding one or more of those risks;
- We verified that the Statement covers the consolidated scope, i.e. all the companies included in the scope of consolidation in accordance with article L. 233-16, within limitations set out in the Statement;
- We assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix 1, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of their evolutions;
  - concerning the 21 indicators of the *Schneider Sustainability Impact (SSI)*, substantive tests using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. Depending on the indicators, the selected sample ranges between 20 % and 100 % of the consolidated data;
  - concerning the other environmental and social indicators, substantive tests using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities listed below: the manufacturing sites ADH Gebze (Turkey), SESH (Russian Federation), Potencial (Russian Federation), Rojo Gomez (Mexico), Merten Wiehl (Germany), APC-by-SCHNEIDER Electric site de Montbonnot (France), Middletown (USA), Batam PEL (Indonesia) and the entities of Schneider Electric France (for HR and Health & Safety information) which cover 18 % of the total workforce and 14 % of the group's total energy consumption.
- We consulted documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered the most important presented in Appendix 1;
- We assessed the overall consistency of the Statement based on our knowledge of the entity.
- We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry more extensive procedures.

### Means and resources

Our verification work mobilized the skills of eight people and took place between September 2018 and February 2019 on a total duration of intervention of about fourteen weeks.

We conducted about ten interviews with the persons responsible for the preparation of the Statement including in particular the sustainability, compliance, human resources, health and safety, environment and purchasing departments.

### Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly, in accordance with the Criteria.

### Comments

Without qualifying our conclusion above and in accordance with article A. 225-3 of the French Commercial Code, we have the following comments:

#### Outcomes of the policies, including key performance indicators:

- Sites have different understandings of the calculation methodology for the indicator "Total employees" (environmental indicator), which affects significantly the homogeneity of the information reported, but does not affect the year on year evolutions observed. The following indicators are affected: "Total waste produced per employee", "Water consumption per employee", "VOC per employee", "Energy consumption per employee", "CO<sub>2</sub> linked to energy consumption per employee".

Paris-La Défense, March the 8th, 2019

French original signed by:

Independent Verifier

**ERNST & YOUNG et Associés**

Eric Mugnier  
Partner, Sustainable Development

Jean-François Bélorgey  
Partner

## Indicators

# 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 78% of the Group headcount.

Schneider Electric provides readers 2 pieces of information so that environmental performance can be compared from one year to the next:

- the publication of indicators on a constant scope
- the publication of indicators per employee to correct the changes in activities of the sites. The sites' workforce includes Schneider Electric employees (fixed-term, permanent and work/study participants), temporary staff and on-site subcontractors.

Comments on the indicators are included in the corresponding chapters.

### Key performance indicators from the Schneider Sustainability Impact

Objectives for year-end 2020	2018	2017
1. 80% renewable electricity	<b>30% ▲</b>	–
2. 10% CO <sub>2</sub> efficiency in transportation	<b>(1.8%) ▲</b>	–
3. 100 million metric tons CO <sub>2</sub> saved on our customers' end thanks to our EcoStruxure offers	<b>51 ▲</b>	–
4. 25% increase in turnover for our Energy & Sustainability Services	<b>13.8% ▲</b>	–
5. 75% of sales under our new Green Premium program	<b>45.7% ▲</b>	38.3%
6. 200 sites labeled towards zero waste to landfill	<b>178 ▲</b>	140
7. 100% cardboard and pallets for transport packing from recycled or certified sources	<b>61.6% ▲</b>	50%
8. 100,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling and take-back programs	<b>43,572▲</b>	–

The 2017 performance serves as a starting value for the Schneider Sustainability Impact 2018-2020.

▲ 2018 audited indicators.

Please refer to pages 174-179 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 133-134 for indicator 1, 134 for indicator 2, 125-127 for indicator 3, 107-109 for indicator 4, 127-129 for indicator 5, and 137-139 for indicators 6, 7 and 8).

### ISO 14001 certification of the sites

	2018	2017	2016
Number of ISO 14001 Certified Sites	<b>253</b>	263	270
Industrial and logistics sites	<b>230</b>	238	247
Tertiary sites	<b>23</b>	25	23
New sites certified this year	<b>0</b>	3	18
Certified sites that have closed or consolidated this year	<b>10</b>	10	7

▲ 2018 audited indicators. UP = Unpublished.

## Group site consumption, emissions and waste

GRI	Indicators	Current Scope			Constant Scope	
		2018	2017	2016	2018	2017
	Number of participating sites	<b>269 ▲</b>	282	295	<b>265</b>	265
	Total employees <sup>(1)</sup>	<b>118,460 ▲</b>	117,042	116,661	<b>116,660</b>	113,698
306-2	Non-hazardous waste produced (in t)	<b>145,391 ▲</b>	150,377	142,059	<b>144,152</b>	148,562
306-2	Hazardous waste produced (in t)	<b>9,549 ▲</b>	10,383	10,356	<b>9,450</b>	10,272
306-2	Total waste produced per employee (in t/p)	<b>1.3 ▲</b>	1.4	1.3	<b>1.3</b>	1.4
306-2	Non-hazardous waste recovered (in t)	<b>137,500 ▲</b>	141,333	132,174	<b>136,407</b>	139,611
306-2	Share of non-hazardous waste recovered	<b>94% ▲</b>	94%	93%	<b>94%</b>	94%
	of which metal waste recovered	<b>99.9%</b>	99.6%	99.4%	<b>99.9%</b>	99.9%
306-2	Hazardous waste channeled to the appropriate treatment facility (in t)	<b>9,239 ▲</b>	9,745	9,628	<b>9,140</b>	9,650
303-1	Water withdrawn for consumption (m <sup>3</sup> )	<b>2,700,619 ▲</b>	2,671,587	2,662,616	<b>2,661,667</b>	2,603,527
	of which public water (m <sup>3</sup> )	<b>2,163,276 ▲</b>	2,163,212	2,145,660	<b>2,126,378</b>	2,118,663
	of which ground water (m <sup>3</sup> )	<b>490,563 ▲</b>	461,780	457,666	<b>490,563</b>	434,943
	of which surface water (m <sup>3</sup> )	<b>17,993 ▲</b>	18,750	20,684	<b>17,993</b>	18,750
	of which other sources (m <sup>3</sup> )	<b>28,842 ▲</b>	31,150	38,606	<b>26,733</b>	31,150
303-1	Water consumption/employee (m <sup>3</sup> /p)	<b>22.8 ▲</b>	22.8	22.8	<b>22.8</b>	22.9
	Water consumption/Turnover (m <sup>3</sup> /EUR)	<b>0.000105</b>	0.000108	0.000109	–	–
(m <sup>3</sup> ) 303-1	Water withdrawn for cooling restituted w/o impact	<b>1,376,335 ▲</b>	1,460,663	682,048	<b>1,376,335</b>	1,174,912
305-7	VOC emissions (kg) (estimates)	<b>682,404 ▲</b>	730,046	700,369	<b>682,404</b>	721,216
305-7	VOC/employee (kg/p) (estimates)	<b>5.8 ▲</b>	6.2	6.0	<b>5.8</b>	6.3
305-7	VOC/Turnover (kg/EUR) (estimates)	<b>0.000027</b>	0,000030	0.000029	–	–
302-1, 302-4	Energy consumption (MWh equivalent)	<b>1,258,081 ▲</b>	1,263,883	1,181,413	<b>1,181,665</b>	1,174,912
	Electricity (indirect consumption)	<b>767,353</b>	837,028	843,440	<b>701,048</b>	762,032
	District heating (indirect consumption)	<b>84,263</b>	78,269	29,644	<b>84,263</b>	77,314
	Fuel oil (direct consumption)	<b>9,672</b>	8,451	12,882	<b>9,649</b>	8,423
	Gas (direct consumption)	<b>320,153</b>	323,941	293,294	<b>311,787</b>	310,949
	Coal (direct consumption)	<b>0</b>	0	0	<b>0</b>	0
	Renewable energy (direct consumption)	<b>76,640</b>	16,194	2,153	<b>74,917</b>	16,194
302-1, 302-4	Energy consumption per employee (MWh)	<b>10.6 ▲</b>	10.8	10.1	<b>10.1</b>	10.3
305-1, 305-2, 305-5	CO <sub>2</sub> emissions linked to energy consumption (in t) (estimates) <sup>(2)</sup>	<b>370,993 ▲</b>	501,241	450,677	<b>338,310</b>	457,656
305-2	Electricity (indirect emissions, market-based)	<b>258,975 ▲</b>	392,713	369,720	<b>227,718</b>	352,505
305-2	District heating (indirect emission)	<b>39,541 ▲</b>	36,125	11,549	<b>39,541</b>	35,647
305-1	Fuel oil (direct emission)	<b>6,626 ▲</b>	5,605	9,283	<b>6,607</b>	5,582
305-1	Gas (direct emission)	<b>65,631 ▲</b>	66,798	60,125	<b>64,226</b>	63,923
305-1	Coal (direct emission)	<b>0 ▲</b>	0	0	<b>0</b>	0
305-1	Renewable energy	<b>219 ▲</b>	0	0	<b>219</b>	0

Indicators

GRI	Indicators	Current Scope			Constant Scope	
		2018	2017	2016	2018	2017
305-1	SF <sub>6</sub> emissions (in tCO <sub>2</sub> equivalent) <sup>(3)</sup>	<b>12,132 ▲</b>	12,688	16,444	<b>12,132</b>	12,688
	SF <sub>6</sub> leakage rate	<b>0.26%</b>	0.29%	0.34%	<b>UP</b>	UP
	Target SF <sub>6</sub> leakage rate	<b>0.25%</b>	0.25%	0.35%	–	–
305-1	Total scope 1 CO <sub>2</sub> emissions (direct energy consumption and SF <sub>6</sub> emissions in t) of reporting perimeter	<b>84,389 ▲</b>	85,091	85,852	<b>82,964</b>	82,192
305-2	Total scope 2 CO <sub>2</sub> emissions (indirect energy consumption in t) of reporting perimeter (market-based)	<b>298,736 ▲</b>	428,838	UP	<b>267,478</b>	388,152
305-2	Total scope 2 CO <sub>2</sub> emissions (indirect energy consumption in t) of reporting perimeter (location-based) <sup>4</sup>	<b>392,873 ▲</b>	423,301	381,269	<b>361,131</b>	382,298
305-1, 305-2,	Total scopes 1 and 2 CO <sub>2</sub> emissions (in t) of reporting perimeter, market-based	<b>383,125 ▲</b>	513,929	467,121	<b>350,443</b>	470,344
305-1, 305-5	Total scope 1 and 2 CO <sub>2</sub> emissions (energy consumption in t) of sites out of reporting perimeter (market-based) <sup>4</sup>	<b>92,141 ▲</b>	93,198	98,024	–	–
305-1, 305-2	Total scopes 1 and 2 CO <sub>2</sub> emissions (energy and SF <sub>6</sub> emissions in t, market-based) of full perimeter	<b>475,265 ▲</b>	607,127	565,145	–	–
305-5	Total scopes 1 and 2 / Turnover (t/EUR)	<b>0.000018</b>	0.000025	0.000023	–	–
305-5	Total scopes 1 and 2 / Employee (t/employee, incl. supplementary personnel)	<b>3.1</b>	4.0	3.5	–	–

▲ 2018 audited indicators. UP = Unpublished.

\* Constant scope emissions are not corrected for activity level.

- (1) For the indicator "Total employees" and the resulting ratios, some sites calculate full-time equivalents and others report headcounts at the end of each month. Since this situation has been considered recurrent for several years, the evolution of these indicators is considered representative.
- (2) The CO<sub>2</sub> emissions linked to energy consumption are considered estimates, because the indirect emissions are calculated on the conversion factors per country. Scope 1 and 2 CO<sub>2</sub> emissions from energy consumption are quantified using energy reporting data, in MWh of energy per energy source. Scope 2 emissions are quantified with the market-based methodology and the location-based methodology, following GHG Protocol scope 2 guidance. Location-based scope 2 electricity emissions are equal to 353,332 tCO<sub>2</sub>e (audited value). Total scope 1 and 2 (location-based) CO<sub>2</sub> emissions (energy and SF<sub>6</sub> emissions in tCO<sub>2</sub>e) on full perimeter are equal to 564,896 tCO<sub>2</sub>e (audited value). Electricity emissions calculated with market-based and location-based methodologies should not be added. Market-based electricity emissions are calculated using residual electricity emissions factors (source AIB, 2017) for European countries, and average country emission factors for other countries (IEA, 2017). 2017 CO<sub>2</sub> emissions from electricity were recalculated in 2018 following this methodology. In addition, biogenic CO<sub>2</sub> emissions are due to the consumption of renewable electricity from biomass, and are not reported in scope 2 emissions following GHG protocol guidance. These emissions are of 5,393 tCO<sub>2</sub> in 2018.
- (3) 16 sites in 2016, 2017 and 2018.
- (4) CO<sub>2</sub> emissions for sites not included in the energy reporting perimeter are estimated based on site surface in real estate databases and average CO<sub>2</sub> intensity of sites per region from our energy reporting (2018 and 2017 data). For 2016, emissions were estimated based on a simplified extrapolation on the total workforce. Overall coverage of emissions due to energy consumption is 100%, based on site surface occupied by Schneider Electric worldwide.

Scope 1 and 2 CO<sub>2</sub> emissions from energy consumption are quantified using energy reporting data, in MWh of energy per energy source. In addition, CO<sub>2</sub> emissions for sites not included in the energy reporting perimeter are estimated based on site surface in real estate databases and average CO<sub>2</sub> intensity of sites per region from our energy reporting. Overall coverage of emissions due to energy consumption is 100%, based on site surface occupied by Schneider Electric worldwide. Scope 2 emissions in the table above are quantified with the market-based methodology, following GHG Protocol scope 2 guidance. Using location-based methodology, scope 2 emissions are equal to 392 873 tCO<sub>2</sub>e.

In addition, biogenic CO<sub>2</sub> emissions are due to the consumption of renewable electricity from biomass, and are not reported in scope 2 emissions following GHG protocol guidance. These emissions are of 5,393 tCO<sub>2</sub> in 2018.

CO<sub>2</sub> emissions in transportation (scope 3)

GRI Indicator	2018	2017	2016
305-3 CO <sub>2</sub> emissions on transportation paid by the Group (in tCO <sub>2</sub> equivalent)	<b>681,776 ▲</b>	658,404*	568,700*

▲ 2018 audited indicators.

Calculation based on an estimated coverage of 75% (2017 and 2018) and 71% (2016) extrapolated to 100%.

\* 2016 data restated in 2017.

## 7.2: Social indicators

The indicators below have a Group scope.

The Safety data of the sites are included in the Group metrics after 1 complete calendar year following their creation or acquisition. A site joining the Group in year n will be included in the metrics on January 1 n+2, except in exceptional circumstances when an agreement stipulates that the Safety data will not be included for 2 years.

HR data cover 98% of the workforce from integrated companies (excluding AVEVA and IGE+XAO). The precisions on the variations of scope are contributed at the end of the tables below and 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 Schneider Sustainability Impact

Objectives for year-end 2020	2018	2017
1. 70% scored in our <i>Employee Engagement Index</i>	<b>67% ▲</b>	65%
2. 1 medical incident per million hours worked	<b>0.94 ▲</b>	1.15
3. 90% of employees have access to a comprehensive well-being at work program	<b>20% ▲</b>	13%
4. 100% of employees are working in countries that have fully deployed our Family Leave policy	<b>75% ▲</b>	–
5. 100% of workers are doing at least 12 hours of learning in the year, and 30% of the workers learning hours are done digitally	<b>57% ▲</b>	–
6. 90% of white collars have individual development plans	<b>78% ▲</b>	32%
7. 95% of employees are working in a country with commitment and process in place to achieve gender pay equity	<b>92% ▲</b>	89%

The 2017 performance serves as a starting value for the Schneider Sustainability Impact 2018-2020.

▲ 2018 audited indicators.

Please refer to pages 174-179 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 146-147 for indicator 1, 143-145 for indicator 2, 145 for indicator 3, 154 for indicator 4, 148-151 for indicator 5, 148-151 for indicator 6, 153 for indicator 7).

## Indicators

## Workforce

GRI	Indicators	2018	2017	2016
	<b>Workforce</b>			
102-8	Average workforce including supplementary personnel	<b>152,058 ▲</b>	153,124	161,768
	Blue collar (DVC)	<b>80,703</b>	80,895	85,252*
	White collar (non-DVC)	<b>71,355</b>	72,229	76,516*
	Share of DVC (Direct Variable Cost)	<b>53.1%</b>	52.8%	52.7%
	Share of non-DVC	<b>46.9%</b>	47.2%	47.3%
	102-8 Average supplementary workforce**	<b>13,409 ▲</b>	13,630	14,676
	102-8 Spot workforce at year-end excluding supplementary personnel <sup>(1)</sup>	<b>137,534 ▲</b>	142,013	143,901
	Open-ended contract	<b>87.2%</b>	87.3%	87.3%
	Fixed-term contract	<b>12.8%</b>	12.7%	12.7%
	Share of temporary personnel (fixed-term contracts 102-8 and supplementary personnel) <sup>(2)</sup>	<b>20.6%</b>	20.8%	21.4%
102-8	Spot workforce at year-end excluding supplementary personnel (FTE) <sup>(3)</sup>	<b>136,624</b>	141,503	142,947
102-8	Organization of working time <sup>(4)</sup>			
	Full-time	<b>98%</b>	98%	98%
	Part-time	<b>2%</b>	2%	2%
401-1	Hires <sup>(5)</sup>	<b>23,228 ▲</b>	20,861	16,788
401-1	Departures <sup>(5)</sup>	<b>24,036 ▲</b>	24,871	25,383
	Layoffs	<b>7,680 ▲</b>	6,664	6,798
	Resignations	<b>11,595 ▲</b>	11,526	12,418
	Other (retirement, end of contract, etc.)	<b>4,761 ▲</b>	6,681	6,167
401-1	Voluntary turnover	<b>8.4% ▲</b>	8.2%	8.5%
102-8	Breakdown of workforce by region <sup>(2)</sup>			
	Asia-Pacific	<b>32%</b>	31%	31%
	Western Europe	<b>27%</b>	27%	27%
	North America	<b>22%</b>	22%	21%
	Rest of the world	<b>20%</b>	20%	21%
	Breakdown of workforce by country 102-8 (the most significant countries) <sup>(2)</sup>			
	France	<b>11%</b>	12%	12%
	United States	<b>13%</b>	13%	13%
	China	<b>10%</b>	10%	10%
	India	<b>10%</b>	10%	10%
	Mexico	<b>7%</b>	7%	6%
	Spain	<b>3%</b>	3%	3%
	Brazil	<b>2%</b>	2%	2%
	Germany	<b>3%</b>	3%	3%
	Australia	<b>2%</b>	2%	2%
	Indonesia	<b>3%</b>	3%	3%
	United Kingdom	<b>3%</b>	3%	3%
	Russia	<b>6%</b>	6%	6%

GRI	Indicators	2018	2017	2016
	Annual change in workforce by country (the most significant 102-8 countries) <sup>(2)</sup>			
	France	-7%	-3%	-4%
	United States	-3%	+1%	-6%
	China	0%	-2%	-42%
	India	-3%	0%	-5%
	Mexico	-4%	+12%	+7%
	Spain	+1%	+1%	-11%
	Germany	-3%	+4%	-3%
	Brazil	-7%	-12%	-18%
	Australia	-10%	-9%	-8%
	Indonesia	0%	+7%	-3%
	United Kingdom	-1%	+1%	-6%
	Russia	-10%	-7%	-9%
102-8	Breakdown of workforce by gender <sup>(2)(4)</sup>			
	Men	68% ▲	68%	69%
	Women	32% ▲	32%	31%
102-8	Breakdown of workforce by gender and by category <sup>(2)</sup>			
	White collar	51%	51%	52%
	Men	68%	68%	69%
	Women	32%	32%	31%
	Blue collar	49%	49%	48%
	Men	68%	68%	68%
	Women	32%	32%	32%
102-8	Breakdown of workforce by age <sup>(2)</sup>			
	14/24 years	6.8%	7.3%	6.9%
	25/34 years	28.2%	28.8%	29.6%
	35/44 years	30.6%	30.0%	29.7%
	45/54 years	21.4%	21.2%	21.3%
	55/64 years	12.2%	11.9%	11.7%
	> 64 years	0.9%	0.9%	0.8%
102-8	Breakdown of workforce by seniority <sup>(2)</sup>			
	< 5 years	44.3%	44.3%	42.5%
	5/14 years	35.6%	34.8%	35.9%
	15/24 years	12.1%	12.3%	12.6%
	25/34 years	5.6%	6.0%	6.3%
	> 34 years	2.5%	2.6%	2.6%
102-8	Breakdown of workforce by function <sup>(2)</sup>			
	Marketing	3.3%	3.2%	3.3%
	Sales	12.3%	11.5%	11.5%
	Services and projects	18.6%	18.5%	18.6%
	Support	28.2%	25.8%	25.7%
	Technical	6.1%	6.2%	6.2%
	Industrial	31.5%	34.7%	34.8%

## Indicators

GRI	Indicators	2018	2017	2016
	<b>Hires<sup>(5)</sup></b>			
401-1	Breakdown by type of contract			
	Permanent contract	<b>63%</b>	60%	60%
	Fixed-term contract	<b>37%</b>	40%	40%
401-1	Breakdown by category			
	White collar	<b>39%</b>	35%	38%
	Blue collar	<b>61%</b>	65%	62%
	Breakdown by gender			
	Men	<b>62%</b>	58%	58%
	Women	<b>38%</b>	42%	42%
	Breakdown by age			
	14/24 years	<b>35.1%</b>	34.2%	37.7%
	25/34 years	<b>38.9%</b>	37.3%	37.2%
	35/44 years	<b>17.4%</b>	16.8%	16.3%
	45/54 years	<b>6.6%</b>	7.9%	6.3%
	55/64 years	<b>1.8%</b>	3.3%	2.2%
	> 64 years	<b>0.2%</b>	0.5%	0.3%
401-1	Breakdown by region			
	Asia-Pacific	<b>35%</b>	38%	43%
	Western Europe	<b>16%</b>	16%	UP
	North America	<b>33%</b>	28%	27%
	Rest of the world	<b>16%</b>	18%	UP
	<b>Layoffs<sup>(5)</sup></b>			
401-1	Breakdown by type of contract			
	Open-ended contract	<b>80%</b>	80%	81%
	Fixed-term contract	<b>20%</b>	20%	19%
401-1	Breakdown by category			
	White collar	<b>35%</b>	40%	40%
	Blue collar	<b>65%</b>	60%	60%
401-1	Breakdown by Region			
	Asia-Pacific	<b>23%</b>	28%	31%
	Western Europe	<b>10%</b>	14%	UP
	North America	<b>42%</b>	34%	35%
	Rest of the world	<b>24%</b>	24%	UP
	<b>Resignations<sup>(5)</sup></b>			
401-1	Breakdown by seniority			
	< 1 year	<b>39.3%</b>	41.0%	37.6%
	1/4 years	<b>37.6%</b>	35.3%	39.2%
	5/14 years	<b>19.8%</b>	20.0%	19.3%
	15/24 years	<b>2.6%</b>	2.7%	3.0%
	25/34 years	<b>0.6%</b>	0.7%	0.7%
	> 34 years	<b>0.2%</b>	0.2%	0.3%



GRI	Indicators	2018	2017	2016
	<b>Departures<sup>(5)</sup></b>			
401-1	Breakdown by gender			
	Men	<b>61.4%</b>	61.8%	63.1%
	Women	<b>38.6%</b>	38.2%	36.9%
401-1	Breakdown by age			
	14/24 years	<b>25.8%</b>	22.8%	26.6%
	25/34 years	<b>33.0%</b>	33.4%	33.9%
	35/44 years	<b>20.0%</b>	21.5%	19.2%
	45/54 years	<b>9.7%</b>	11.2%	10.0%
	55/64 years	<b>9.3%</b>	9.3%	8.6%
	> 64 years	<b>2.3%</b>	1.8%	1.7%
401-1	Breakdown by region			
	Asia-Pacific	<b>33%</b>	32%	38%
	Western Europe	<b>16%</b>	17%	UP
	North America	<b>34%</b>	30%	27%
	Rest of the world	<b>18%</b>	21%	UP
	<b>Average supplementary workforce</b>			
102-8	Breakdown by category			
	White collar	<b>7%</b>	15.3%	15.7%
	Blue collar	<b>93%</b>	84.7%	84.3%
102-8	Breakdown by region			
	Asia-Pacific	<b>62%</b>	63.42%	63.0%
	Western Europe	<b>18%</b>	17.15%	UP
	North America	<b>8%</b>	9.2%	6.1%
	Rest of the world	<b>11%</b>	10.23%	UP

### Health and safety of employees and subcontractors

GRI	Indicators	2018	2017	2016
403-2	Number of medical incidents <sup>(6)</sup>	<b>277 ▲</b>	330	361
	of which Schneider Electric employees	<b>225</b>	274	300
	of which temporary workers	<b>52</b>	56	61
403-2	Number of lost-time accident <sup>(6)</sup>	<b>136 ▲</b>	178	219
	of which Schneider Electric employees	<b>105</b>	147	177
	of which temporary workers	<b>31</b>	31	42
403-2	Number of fatal accidents	<b>1</b>	1	1
	of which Schneider Electric employees	<b>1</b>	1	1
	of which temporary workers	<b>0</b>	0	0
403-2	Medical Incident Rate <sup>(7)</sup>	<b>0.94 ▲</b>	1.15	1.24
	of which Schneider Electric employees	<b>0.90</b>	1.11	1.19
	of which temporary workers	<b>1.10</b>	1.38	1.55
403-2	Lost-Time Injury Rate (LTIR) <sup>(7)</sup>	<b>0.46 ▲</b>	0.62	0.75
	of which Schneider Electric employees	<b>0.42</b>	0.60	0.7
	of which temporary workers	<b>0.66</b>	0.76	1.07
403-2	Lost-Time Day Rate (LTDR) <sup>(7)</sup>	<b>13.69 ▲</b>	20.67	17.88
	of which Schneider Electric employees	<b>14.39</b>	22.63	19.02
	of which temporary workers	<b>9.54</b>	8.86	10.56

Indicators

403-2	Number of lost days	<b>4,025 ▲</b>	5,907	5,208
	of which Schneider Electric employees	<b>3,579</b>	5,547	4,793
	of which temporary workers	<b>446</b>	360	415
403-2	Number of hours worked	<b>294,001,927 ▲</b>	285,796,584	291,348,466
	of which Schneider Electric employees	<b>248,633,265</b>	245,147,419	252,052,556
	of which temporary workers	<b>45,368,662</b>	40,649,165	39,295,910
403-2	Occupational Illness Frequency Rate (OIFR)	<b>0.02 ▲</b>	0.04	0.02
	of which Schneider Electric employees	<b>0.02</b>	0.05	0.03
	of which temporary workers	<b>0.00</b>	0.00	0.00

Dialog and social relations

GRI	Indicators	2018	2017	2016
102-41	Employees represented by <sup>(6)</sup>			
	Unions	<b>67.1%</b>	66.3%	69.4%
	Works Council	<b>68.1%</b>	59.7%	65.3%
403-1	Health and Safety Committee	<b>86.0%</b>	88.8%	84.4%
102-41	Number of collective agreements <sup>(6)</sup>	<b>138</b>	114	129
102-41	Employees covered by collective bargaining agreements	<b>74.6%</b>	82.8%	84.1%

Talent development and training

GRI	Indicators	2018	2017	2016
404-1	Number of training hours <sup>(9)</sup>	<b>3,283,492 ▲</b>	3,402,700	3,618,553
404-1	Average hours of training per person <sup>(9)</sup>	<b>27.5</b>	29	30.1
	White collar	<b>30.5</b>	25.2	33.8
	Blue collar	<b>24.1</b>	32.4	25.7
	Average hours of training per person <sup>(9)</sup>			
	Men	<b>28.3</b>	30	30.4
	Women	<b>25.6</b>	28	26.8
404-1	Breakdown of hours by category <sup>(2)</sup>			
	White collar	<b>58%</b>	59%	60.4%
	Blue collar	<b>42%</b>	41%	39.6%
404-2	Employees taking one day training (7 hours or more)	<b>86%</b>	92%	92%
	Breakdown by country			
	France	<b>75.8%</b>	87.4%	88.3%
	United States	<b>82.2%</b>	89.2%	90.3%
	China	<b>89.4%</b>	96.2%	94.0%
	India	<b>96.6%</b>	98.4%	96.6%
	Mexico	<b>93.1%</b>	95.4%	93.7%
	Spain	<b>87.8%</b>	91.5%	93.4%
	Brazil	<b>89.7%</b>	88.2%	90.7%
	Germany	<b>85.7%</b>	91.3%	91.5%
	Australia	<b>80.6%</b>	84%	89.9%
	Indonesia	<b>80.2%</b>	91%	87.2%
	United Kingdom	<b>79.6%</b>	85.7%	84.6%
	Russia	<b>94.6%</b>	95.3%	91.9%
	Breakdown of hours by training type <sup>(2)</sup>			
	Health, safety and environment	<b>19.7%</b>	4%	17.4%

Technical	4.7%	13%	9.6%
Languages	0.5%	2%	3.0%
IT	9.9%	5%	6.3%
Products, Solutions and Services	24.4%	11%	10.6%
Management and <b>Leadership</b>	4.9%	7%	6.9%
Personal Development	16.3%	3%	7.9%
Functional	14.1%	UP	UP
Mandatory/Compliance	3.1%	UP	UP
Others	2.6%	55%	28.9%
Breakdown of costs by category <sup>(2)</sup>			
White collar	72%	62%	66.3%
Blue collar	28%	38%	33.7%
Breakdown of costs by category <sup>(2)</sup>			
Products, Solutions and Services	21.2%	UP	UP
Personal Development	18.7%	UP	UP
Health, safety and environment	14.6%	UP	UP
Management and Leadership	13.9%	UP	UP
Functional	10.9%	UP	UP
Technical	6.2%	UP	UP
IT	2.9%	UP	UP
Languages	2.6%	UP	UP
Mandatory/Compliance	0.1%	UP	UP
others	9.1%	UP	UP
404-3 Employees having had a performance interview <sup>(10)</sup>	95.7%	97.2%	95.1%
404-3 Breakdown by category			
White collar	76.3%	74.5%	85%
Blue collar	23.7%	25.5%	15%
404-3 Breakdown by gender			
Men	72.9%	73.7%	75%
Women	27.1%	26.3%	25%

▲ 2018 audited indicators. UP = Unpublished.

\* 2016 data updated in 2017 to take into account personnel who were not categorized DVC/NDVC in the system; pro-rata distribution without modifying the initial DVC/NDVC shares.

(1) Schneider Electric fixed-term contract and open-ended contract personnel.

(2) Based on spot workforce at year-end.

(3) Based on Full Time Equivalents (FTE) numbers of Schneider Electric fixed-term contract and open-ended contract personnel.

(4) The data relates to 87% of the Group's workforce at 12/31/2018 (TalentLink).

(5) Acquisitions/disposals and supplementary staff are not taken into account in the calculation.

(6) Includes business travel, excludes home/workplace travel.

(7) LTIR = Number of incidents with lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident frequency rate. LTDR = Number of lost days x 1,000,000/number of hours worked. International standard indicator comparable to the accident severity rate (the latter, however, is calculated per thousand hours worked). MIR = Number of accidents requiring medical treatment x 1,000,000/number of hours worked. Occupational Illness Frequency Rate (OIFR) is based on 1million hours worked (The number of Occupational illness X 1,000,000 Hours / Total Hours Worked). Note that the Medical Incident Rate (MIR) consists of both medical incidents + Occupational Illnesses and is based on 1million hours worked.

(8) The data relates to 90% of the Group's workforce at the end of December 2018 (annual survey).

(9) The data covers 99% of the Group's workforce (MyLearningLink).

(10)The data relates to the eligible workforce for Performance interview at 12/31/2018 (TalentLink).

## Indicators

### 7.3: Societal indicators

Indicators are published on the basis of declarative information submitted by Foundation delegates. It covers 85% of Schneider Electric employees and highlights the importance of company and employee participation in the Foundation's approach to involvement towards local communities. With EUR20 million in 2018, 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

	2018
<b>FOUNDATION'S INTERVENTION BUDGET</b>	<b>4,000,000</b>
Breakdown by program (in %)	
Training and opportunities for young adults	<b>63%</b>
Fuel poverty	<b>15%</b>
Raising awareness about sustainable development	<b>10%</b>
Entrepreneurship	<b>10%</b>
Employees' volunteering/skills-based sponsorship	<b>2%</b>
Breakdown by region (in %)	
Africa & Middle East	<b>27%</b>
America	<b>1%</b>
Asia	<b>30%</b>
Europe	<b>42%</b>

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

	2018
<b>TOTAL FINANCIAL CONTRIBUTION (IN EUROS)</b>	<b>6,692,118</b>
From employees	<b>923,909</b>
From the Schneider Electric entity	<b>5,727,068</b>
From partners	<b>41,141</b>

#### Breakdown of total contributions (Employees, Schneider Electric entities and Schneider Electric Foundation) to the Foundation's actions

	2018
<b>Breakdown by region (in %)</b>	
Africa & Middle East	<b>8%</b>
America	<b>33%</b>
Asia	<b>29%</b>
Europe	<b>30%</b>
<b>DONATIONS IN PRODUCTS OR SERVICES FOR A PARTNER/PROJECT OF THE FOUNDATION (IN EUROS)</b>	<b>9,003,370</b>
<b>Number of employees involved in the Foundation's actions</b>	<b>35,000</b>

## Total budget for the Foundation's actions

<b>FOUNDATION BUDGET, FINANCIAL CONTRIBUTIONS AND DONATIONS IN KIND (IN EUROS)</b>	19,695,488
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### Key performance indicators from the Schneider Sustainability Impact

Objectives for year-end 2020	2018	2017
x4 turnover of our Access to Energy program	<b>x1.31 ▲</b>	–
350,000 underprivileged people trained in energy management	<b>196,162 ▲</b>	148,145
12,000 volunteering days thanks to our VolunteerIn global platform	<b>5,691 ▲</b>	–

The 2017 performance serves as a starting value for the Schneider Sustainability Impact 2018-2020.

▲ 2018 audited indicators.

Please refer to pages 174-179 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 163-167 for indicator 1, 168-169 for indicator 2, and 167-168 for indicator 3).

#### For more information:

- <http://www.schneider-electric.com/ww/en/> (> About us > Sustainability)
- <https://volunteerin.schneider-electric.com/en/>

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# Business review

# 3

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## Trends in Schneider Electric's core markets

# 1. Trends in Schneider Electric's core markets

### 1.1: Industry and machines manufacturers

2018 was another year of strong growth for the Industry market. However, growth has moderated during the second half after a very dynamic first half.

Deceleration was driven by the deteriorating business climate resulting from trade wars and Brexit uncertainties, and tightening financial conditions. The deceleration was more pronounced in China, Japan, Western Europe, and some emerging economies.

In the United States, growth remained strong throughout the year, supported by investments in the energy sector and corporate tax cuts.

In Western Europe, growth remained elevated in 2018, with a very strong first half followed by weaker growth during the last quarter. Growth was driven by high production capacity utilization, automation initiatives, and favorable credit conditions.

### 1.2: Non-residential and residential buildings

#### Non residential buildings

In Western Europe, the market continues to grow, albeit at a slower pace than last year.

In Germany, non-residential construction decelerated due to slowing domestic consumption.

In Italy, the market continued its expansion, led by commercial segments. In the United Kingdom, the market was hit by intensifying Brexit worries and less government support for public construction.

In Spain, expansion continued, especially in the storage-logistics sector driven by the rise of e-commerce and the office sector due to continuing scarcity of supply.

In the US market, the office and warehouse segments drove the growth.

In India, sustained growth was underpinned by foreign investment flows and solid macroeconomic fundamentals.

In East Asia, growth was mixed across countries. Vietnam, Indonesia, Thailand, and the Philippines continued their strong expansion territory while Malaysia grew marginally driven by softening demand amid excess supply. Singapore and Taiwan bounced back after a weak 2017 year, while South Korea contracted due to excess capacity and fading of the boost from construction related to the Winter Olympics.

#### Residential

In Western Europe, market growth slowed down in 2018. In France, the market decelerated due to reductions in government financing schemes and lower consumer confidence.

In Norway and Sweden, the market has slowed down after several years of strong growth.

In Germany, growth has continued, albeit at a slower pace, driven by accommodative financing conditions and immigration. In Spain, the residential sector grew steadily, underpinned by accommodative financing conditions and public housing construction initiatives.

In the US, new construction slowed down during the second half of the year as supply-side constraints combined with increasing interest rates to drive prices upwards. Renovation market growth has moderated following several years of strong growth.

In China, market growth remained very strong. Lower-tier cities led strength, boosted by the shantytown subsidy scheme. The market in Tier one cities has rebounded, after a decline last year.

In Australia, residential construction has peaked in 2018 after several years of strong growth. In India, residential construction grew primarily driven by government-led affordable housing schemes.



## 1.3: Energy and Infrastructures

### Electricity companies

The power industry continues to adapt to the New World of Energy. Renewable power generation is becoming the preferred choice for new capacity additions, beating all other forms of generation on cost in many geographies. 26 percent of the world electricity is now produced from renewable sources. Decentralization of power systems is becoming a reality for many distribution companies which are facing a proliferation of rooftop solar PV installations. Preparation for the addition of battery storage to complement solar installations is on the mid-term horizon, as well as a massive rise of Electric Vehicles.

Market growth was driven by aging asset replacement programs, the need for network reinforcements to host new renewable capacity and the digitization of the whole electricity delivery infrastructure.

Profound power sector regulatory changes are likely to happen in many geographies to meet the challenge of power system decentralization, decarbonization and digitization. The utility industry will have to adapt to new conditions and implement new business models accordingly.

### Oil & Gas & Petrochemicals

The Brent oil price spent a large proportion of 2018 above USD 70, peaking to 80+ levels that were not attained since the 2014 downfall. However, the last quarter witnessed a price drop to a point slightly above USD 50.

Despite this year-end drop, the industry has regained confidence and ensured fair profitability levels.

Oil and gas operators have now significantly improved spending discipline and reduced their operating cost structures and new projects breakeven costs. This turnaround is largely based on better practice, optimized architectures and digital transformation. It should be sustainable going forward.

The Petrochemical sub-segment continues to be a driving force in investment, as well as US unconventional investment.

Interestingly, we see several oil major actors developing into renewable energy, investigating storage, electricity distribution, or planning electric vehicle fast charging infrastructure for their petrol stations.

## 1.4: Data centers and Networks

The demand for computing continued to shift from on-premise to off-premise facilities. Enterprises continued to move their computing load to leased space in colocation, where they house their own IT equipment, or to Internet Giants, where they are renting platforms, infrastructure and services. To add to this shift, the continued growth of social media and e-commerce has generated even more growth in the off-premise market. Enterprises continue to maintain hybrid environments between existing on-premise facilities and the off-premise market through colocation service providers. With its strong portfolio and global footprint, Schneider Electric is well-positioned for all markets of the hybrid data center environment bringing the strength of our Low Voltage, Medium Voltage, Building Management and Secure Power businesses to serve those clients under the EcoStruxure for datacenter architecture.

As internet usage continues to grow in bandwidth-intensive applications including video, social media, augmented reality and the increasing adoption of the Internet of Things, there has been an increased need for computing and storage at the edge of the network. Schneider Electric is a leader in distributed IT environments and with its modular systems coupled with its EcoStruxure IT software, is in a strong position to capture this next wave of computing.

Market growth remained strong for secure power in commercial and industrial applications. Applications within the Oil & Gas, Transportation and Healthcare segments particularly led the market.

## Review of the consolidated financial statements

# 2. Review of the consolidated financial statements

## 2.1: Review of business and consolidated statement of income

### Acquisitions & divestments occurred in 2018

#### Acquisitions

##### AVEVA

On September 5, 2017, the Group announced that it had reached agreement with AVEVA Group PLC on the terms and conditions of a combination of AVEVA and the Schneider Electric Software business, to create a global leader in engineering and industrial software.

On February 28, 2018, the transaction was finalized, following the issue of ordinary shares in the capital of AVEVA to Schneider Electric. The Group owns 60% of the enlarged AVEVA Group, on a fully diluted basis. AVEVA has been fully consolidated into the *Industrial Automation* business since March 1, 2018. The consideration paid amounted to EUR 1,994 million, of which EUR 577 million paid in cash (net of acquired cash).

The purchase accounting resulting from the acquisition was not completed at the closing date. As at December 31, 2018, the Group recognized intangible assets for a preliminary amount of EUR 553 million (trademark, patents and customer relationships), and an amount of Goodwill of EUR 1,449 million.

The impact on non-controlling interests reflects 40% of the AVEVA total consideration combined with the carrying value of the Schneider Electric Software business evaluated at the time of the acquisition of INVENSYS Group by Schneider Electric.

##### IGE+XAO

On November 8, 2017, the Group announced the signing of a memorandum of understanding pursuant to which SEI SAS filed with the Autorité des Marchés Financiers (AMF) a voluntary public tender offer for the shares of IGE+XAO.

On January 25, 2018, after the successful public tender offer and following the delivery of the shares tendered to the offer, the Group announced that SEI SAS owned directly and indirectly 70.57% of the share capital of IGE+XAO, and therefore had taken the control of the Company.

From February 22, 2018, after the reopening of the public tender, the Group owns 70.69% of the share capital of IGE+XAO.

IGE+XAO, has been fully consolidated in the Low Voltage business since February 1, 2018. The consideration paid amounted to EUR 86 million (net of acquired cash).

The purchase accounting resulting from the acquisition was not completed at the closing date. As at December 31, 2018, the Group recognized intangible assets for a preliminary amount of EUR 56 million (trademark, technologies and customer relationships), and an amount of Goodwill of EUR 100 million.

#### Disposals

No significant disposals occurred during 2018.

#### Discontinued operations

On April 20, 2017, the Group announced its decision to dispose of its "Solar" activity. During the second semester of 2018, the Group disposed of the "Mobile" line of business. The Group also decided to restructure the "Power Plant" line of business and to keep the "Commercial & Industrial" line of business under strategic review.

This activity used to be reported within the *Low Voltage* business segment of Schneider Electric. Solar activity net loss of EUR 23 million has been reclassified to discontinued operations in the Group consolidated financial statements.

#### Changes in foreign exchange rates

Changes in foreign exchange rates relative to the euro had an adverse impact over the year, amounting to negative EUR 1,000 million in consolidated revenue and negative EUR 192 million in adjusted EBITA<sup>(1)</sup>.

#### Revenue

On December 31, 2018, the consolidated revenue of Schneider Electric totaled EUR 25,720 million, a 3.9% increase at current scope and exchange rates compared to EUR 24,743 million on December 31, 2017.

This variance breaks down into an organic increase of +6.6%, a net scope effect of +1.8% and a negative exchange rate effect of -4.5%, mainly driven by the depreciation of the US dollar against the euro.

(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.

### Material contracts

No material contract (other than contracts entered into in the ordinary course of business) has been entered into for the two years immediately preceding the publication of this document.

## 2.2: Changes in revenue by operating segment

### Energy Management:

**Medium Voltage** generated revenues of EUR 4,320 million, or 17% of the consolidated total. This represents a decrease of -4.0% on a reported basis, partly due to the disposal of Telvent DTN, and an increase of +2.8% on a like-for-like basis, back to growth after selectivity initiatives in 2017. China and the U.S. were up strongly for the year while Western Europe was down as growth in Spain and Italy was offset by weaker demand from utilities in France and Germany. Services were up double-digit for the year.

**Low Voltage** generated revenues of EUR 11,572 million, or 45% of the consolidated total. This represents an increase of +7.0% on a reported basis, with contribution from the acquisitions of ASCO and IGE+XAO, and an increase of +8.3% on a like-for-like basis, with growth across all regions. Residential and Small Buildings offers continued to grow strongly, extending a strong track record of growth. *Low Voltage* saw strong growth in Commercial and Industrial Buildings and Data centers leveraging the Group's strong partner network. Asia Pacific was up double-digit for the year while North America and Rest of the world grew strongly. Western Europe was up. Services were up strongly for the year, including Energy and Sustainability Services which grew double-digit.

**Secure Power** generated revenues of EUR 3,628 million, or 14% of the consolidated total. This represents an increase of +0.4% on a reported basis and an increase of +4.9% on a like-for-like basis, with growth accelerating in the second half of the year. New offers drove the good performance for Distributed Secure Power, while 3-phase UPS, non-IT end-markets, and Edge computing all contributed to growth. *Secure Power* saw growth in all regions. Notably, Asia-Pacific saw good growth, led by demand in India. Services were up mid-single digit for the year.

### Industrial Automation:

**Industrial Automation** generated revenues of EUR 6,200 million, or 24% of the consolidated total. This represents an increase of +6.6% on a reported basis, with contribution from the AVEVA transaction, and an increase of +7.6% on a like-for-like basis. There was strong growth across the *Industrial Automation* portfolio, with demand in Process Industries accelerating. OEM continued strong growth, though demand in China moderated in line with expectations, while the U.S. grew, though impacted by the phasing down in one non-core offer. The Group saw continued good progress for its EcoStruxure offers, including cybersecurity services.

## 2.3: Gross Margin

**Gross profit** was up +6.7% organically with Gross margin improving by +60 bps on a reported basis (around flat organically) to 39.0% in full year 2018. This represents the third consecutive year of Gross margin expansion, increasing by +200 bps over 2016-2018 due to a focus on high value-added business, portfolio optimization and industrial productivity.

## 2.4: Support function costs: research and development and selling, general and administrative expenses

Excluding capitalized development costs and development costs reported as cost of sales, research and development expenses increased by 19.2% from EUR 501 million in 2017 to EUR 597 million in 2018. As a percentage of revenues, the net cost of research and development expenses increased from 2.0% in 2017 to 2.3% in 2018.

Total research and development expenses, including capitalized development costs and development costs reported as cost of sales (see Note 4 to the Consolidated Financial Statements) increased by 9.8% from EUR 1,183 million in 2017 to EUR 1,299 million in 2018. As a percentage of revenues, total research and development expenses increased from 4.8% in 2017 to 5.1% in 2018.

In 2018, the net effect of capitalized development costs and amortization of capitalized development costs amounted to EUR 61 million on operating income *versus* EUR 62 million in 2017.

Selling, general and administrative expenses increased by 4.2% from EUR 5,346 million in 2017 to EUR 5,572 million in 2018. As a percentage of revenues, selling, general and administrative expenses slightly increased from 21.6% in 2017 to 21.7% in 2018.

Total support function costs, i.e. research and development expenses (excluding capitalized development costs and development costs reported as cost of sales) together with selling, general and administrative expenses, totaled EUR 6,169 million in 2018, up 5.5% compared to EUR 5,847 million in 2017. The support function costs to sales ratio increased from 23.6% for in 2017 to 24% in 2018.

## 2.5: Other operating income and expenses

In 2018, other operating income and expenses amounted to a net loss of EUR 103 million, mainly due to impairment losses on assets (EUR 36 million) and to costs of acquisitions and integrations (EUR 69 million). These negative impacts were reduced by a EUR 20 million gain on the curtailment and settlement of employee benefit plans in the US.

## 2.6: Restructuring costs

Restructuring costs amounted to EUR 198 million in 2018, down from EUR 286 million in 2017.

## Review of the consolidated financial statements

### 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 EUR 3,874 million in 2018, up 6.1% from EUR 3,651 million in 2017. Gross profit expansion combined with tight control of support function costs more than offset the negative impact from foreign exchange outlined in Section 2.1. As a percentage of revenue, adjusted EBITA increased from 14.8% in 2017 to 15.1% in 2018.

EBITA increased by 6.7% from EUR 3,350 million in 2017 to EUR 3,573 million in 2018. This increase is mainly linked to the Adjusted EBITA improvement. As a percentage of revenue, EBITA increased to 13.9% in 2018 up from 13.5% in 2017.

### 2.8: Adjusted EBITA by business segment

The following table sets out adjusted EBITA by business segment:

#### Full year 2018

	Energy Management			Automation	Central Functions & Digital costs	Total
	Low Voltage	Medium Voltage	Secure Power	Industrial Automation		
Backlog	2,425	2,455	1,108	1,471	–	7,459
Revenue	11,572	4,320	3,628	6,200	–	25,720
Adjusted EBITA*	2,382	481	616	1,118	(723)	3,874
Adjusted EBITA %	20.6%	11.1%	17.0%	18.0%	–	15.1%

\* Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).

The amount of backlog to be executed over one year amounts to EUR 350 million at December 31, 2018.

#### Full year 2017

	Energy Management			Automation	Central Functions & Digital costs	Total
	Low Voltage	Medium Voltage	Secure Power	Industrial Automation		
Revenue	10,812	4,500	3,615	5,816	–	24,743
Adjusted EBITA*	2,232	449	600	1,021	(651)	3,651
Adjusted EBITA %	20.6%	10.0%	16.6%	17.6%	–	14.8%

\* Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).

#### Energy Management:

**Medium Voltage** adjusted EBITA was up c.+130 bps organic year-on-year (+110 bps reported), delivering on our objective to expand *Medium Voltage* margin by 100-150 bps organically in 2018 and in keeping with the overall objectives of the Infrastructure Rebound program announced during 2016 (with c. +400 bps organic improvement 2015-2018).

**Low Voltage** reached a record level of adjusted EBITA, up c.+20 bps organic (flat reported) year-on-year.

**Secure Power** adjusted EBITA was up +40 bps year on year (organic and reported) showing improvement due to good topline growth.

#### Industrial Automation:

**Industrial Automation** generated an adjusted EBITA up c.+70 bps organic (+40 bps reported), benefiting from improved volumes which comfortably offset higher investments made in digital offers.

**Central Functions & Digital costs** amounted to 2.8% of revenues. These costs include investments into the Group's shared Digital platform and I.T. infrastructure, transversal investments supporting the development of the two businesses and the cost of global functions.

## 2.9: Operating income (EBIT)

Operating income or EBIT (Earnings Before Interest and Taxes) increased from EUR 3,210 million in 2017 to EUR 3,396 million in 2018. This 5.8% increase is explained mainly by the EBITA improvement.

## 2.10: Net financial income/loss

Net financial loss amounted to EUR 310 million in 2018, down from EUR 367 million in 2017. This reduction is mainly explained by a EUR 18 million decrease in foreign exchange losses, supplemented by a decrease in the cost of net financial debt from EUR 219 million in 2017 to EUR 183 million in 2018.

## 2.11: Tax

The effective tax rate was 22.5% in 2018, up from 21.1% in 2017. The corresponding tax expense increased from EUR 600 million in 2017 to EUR 693 million in 2018.

In 2018, the tax reforms in the USA led to an additional negative EUR 25 million adjustment in the Income statement.

In 2017, the tax reforms in the USA and in Belgium, as well as the additional reform in France, led together to a positive EUR 12 million adjustment in the Income statement.

## 2.12: Share of profit/(losses) of associates

The share of profit of associates remained stable at EUR 61 million in 2018 (same as 2017).

## 2.13: Non-controlling interests

In 2018, profit for the period attributable to non-controlling interests totaled EUR 97 million, up from EUR 60 million in 2017. AVEVA was the main contributor to this amount in 2018.

## 2.14: Profit for the period

In 2018, profit for the period attributable to the equity holders of the parent company amounted to EUR 2,334 million. This represents an 8.6% increase over the EUR 2,150 million profit reported in 2017, mainly due to the improvement in EBITA.

## 2.15: Earnings per share

Earnings per share increased from EUR 3.85 for 2017 to EUR 4.21 for 2018.

## 2.16: Consolidated cash-flow

### Operating activities

In 2018, net cash provided by operating activities before changes in operating assets and liabilities amounted to EUR 3,405 million, up 12.7% from EUR 3,020 million in 2017, and represented 13.2% of revenues in 2018 up from 12.2% in 2017.

The change in working capital used EUR 533 million in cash in 2018, compared to EUR 79 million used in 2017.

In all, net cash provided by operating activities decreased by 2.4% from EUR 2,941 million in 2017 to EUR 2,872 million in 2018.

### Investing activities

Net capital expenditure, which included capitalized development projects, increased by 11.9% to EUR 770 million in 2018, compared to EUR 688 million in 2017, representing 3% of revenues in 2018 (2.8% in 2017).

Free cash-flow (cash provided by operating activities net of net capital expenditure) amounted to EUR 2,102 million in 2018 versus EUR 2,253 million in 2017.

Cash conversion rate (free cash-flow over net income attributable to the equity holders of the parent company on continuing operations) was 90% in 2018 versus 105% in 2017.

The effect of acquisitions and divestments during the year was a net cash outflow amounting to EUR 730 million in 2018. Acquisitions and divestments represented a net cash outflow of EUR 416 million in 2017. Those amounts correspond mainly to the acquisitions and disposals described in Notes 2.1 and 2.2 of the Consolidated Financial Statements (Chapter 5).

### Financing activities

In 2018, the Group reimbursed bonds for EUR 749 million and issued a bond in euros for EUR 741 million.

The net increase in other financial debts amounted to EUR 220 million in 2018, compared to EUR 111 million in 2017. The amount of dividends paid by Schneider Electric in 2018 was EUR 1,223 million, compared to EUR 1,133 million in 2017.

Review of the parent company financial statements

### 3. Review of the parent company financial statements

Schneider Electric SE posted an operating loss of EUR 16 million in 2018 compared with EUR 14 million the previous year.

Interest expense net of interest income amounted to EUR 75 million versus EUR 106 million the previous year.

Current income amounted to EUR 4,390 million in 2018 compared with a current loss of EUR 28 million in 2017.

Net income stood at EUR 4,458 million in 2018 compared with a net loss of EUR 121 million in 2017, mainly due to the dividends of EUR 4.5 billion received from Schneider Electric Industries SAS in 2018.

Equity before appropriation of net profit amounted to EUR 10,078 million at December 31, 2018 *versus* EUR 7,893 million at the previous year-end, after taking into account 2018 profit, dividend payments of EUR 1,126 million and share issues in an amount of EUR 76 million.

## Outlook

# 4. Outlook

In its main markets, the Group currently expects the following trends:

- China faces a high base of comparison (weighted towards the early part of the year) and softening OEM demand but remains a growth market in aggregate with dynamism in many end-markets including construction, infrastructure and parts of industry.
- In North America, the Group anticipates a continuing favorable environment.
- Other large countries in Asia Pacific continue good momentum.
- The Group expects Western Europe to grow at a moderate pace and the Rest of the world economies to be contrasted based on country.

In the current macro environment, the Group expects continued positive growth in aggregate in 2019 as it continues to deploy its strategic priorities in key markets.

The Group targets 2019 Adj. EBITA growth between +4% and +7% organic. This would be achieved through a combination of organic revenue growth and margin improvement, expected to be:

- Revenue growth of +3% to +5% organic; and
- Adjusted EBITA margin up +20 to +50 bps organic. The improvement is expected to be more pronounced in the second part of the year.

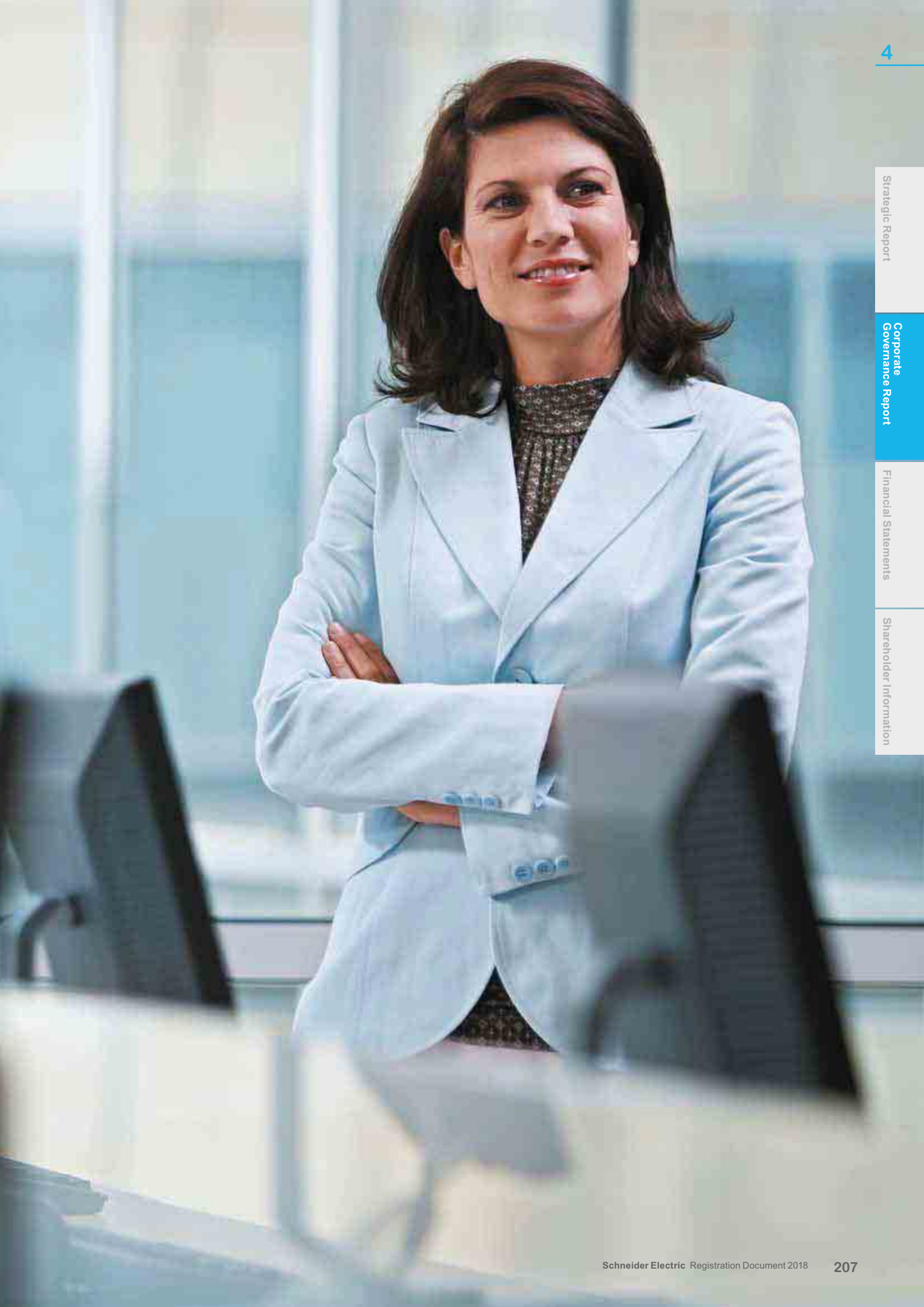
# Corporate governance report

# 4

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## 1. The board of directors

This corporate governance report has been approved by the board of directors at its meeting of February 13, 2019.

### Corporate governance code

The Company applies all the AFEP/MEDEF corporate governance guidelines.

The guidelines are available online at [www.medef.fr](http://www.medef.fr).

# 1. The board of directors

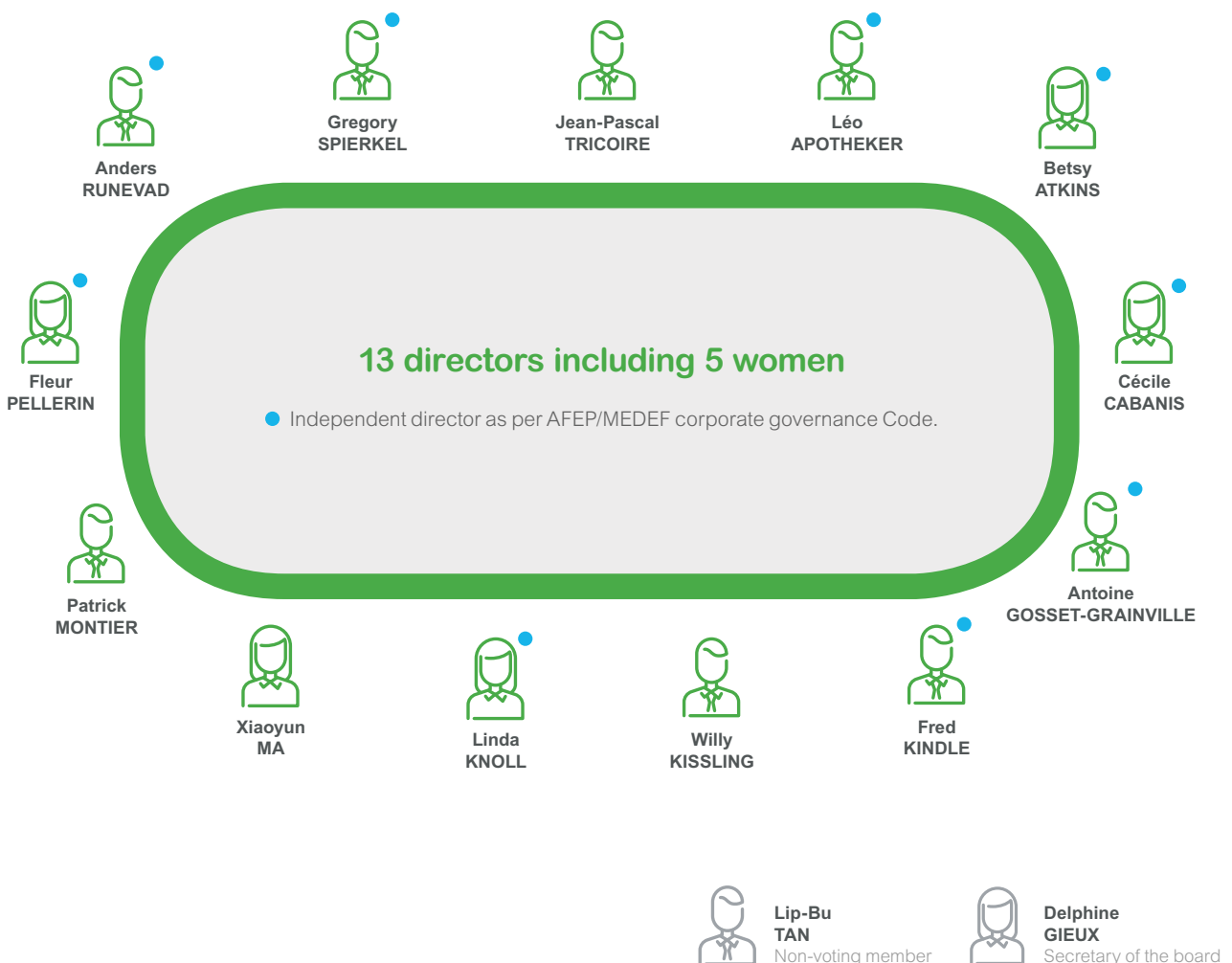
## 1.1: Membership of the board of directors (at December 31, 2018)

The board of directors shall have at least 3 and up to 18 members, all of whom must be natural persons elected by the shareholders at the Shareholders' Meeting. However, in case of death or resignation of a member, the board may co-opt a new member. This appointment is then subject to ratification at the next Shareholders' Meeting.

Throughout their term, pursuant to the internal regulations, each director must hold at least 1,000 Schneider Electric SE shares.

Directors are appointed for 4-year terms (renewable). However, from the age of 70, directors are re-elected or appointed for a period of 2 years. No more than one-third of the directors may be aged 70 or over.

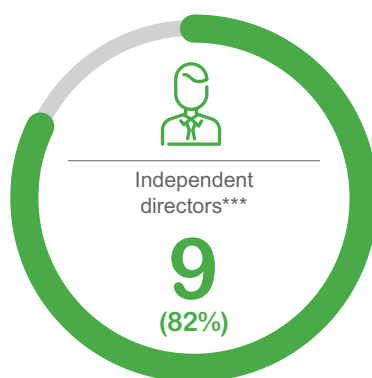
As of December 31, 2018, the board of directors had 13 directors, and 1 non-voting member, Mr. Lip-Bu Tan.



## Overview of the composition of the board of directors

	Personal informations			Experience	Position within the board			Participation in board committees					
	Age	Gender	Nationality	Number of directorships in listed companies*	Independence	First appointment**	Seniority on the board**	Term end	Audit and risks committee	Governance and remunerations committee	Human Resources and CSR committee	Investissement committee	Digital committee
<b>Chairman and Chief Executive Officer – Director</b>													
Jean-Pascal Tricoire	55	M		–		2013	5	2021					
<b>Vice-Chairman independent lead director</b>													
Léo Apotheker	65	M		1	●	2008	10	2020		●			●
<b>Director</b>													
Betsy Atkins	65	W		2	●	2011	7	2019				●	●
Cécile Cabanis	47	W		2	●	2016	2	2020	●				
Antoine Gosset Grainville	52	M		2	●	2012	6	2020	●				
Fred Kindle	59	M		1	●	2016	2	2020	●	●		●	
Willy Kissling	74	M				2001	17	2020	●	●	●		
Linda Knoll	58	W		2	●	2014	4	2022		●	●		
Fleur Pellerin	45	W		1	●	2018	–	2022	●		●		●
Anders Runevad	58	M		2	●	2018	–	2022				●	
Gregory Spierkel	61	M		2	●	2015	3	2019		●		●	●
<b>Director representing the employee shareholders</b>													
Xiaoyun Ma	55	W		–		2017	1	2021			●	●	
<b>Director representing the employees</b>													
Patrick Montier	62	M		–		2017	1	2021				●	

● Chairperson of the committee    ● Member of the committee    ● Independent



\* To the exclusion of Schneider Electric SE directorship.

\*\* As a director or member of the supervisory board (if any, the period of presence at the board as a non-voting member is not taken into account).

\*\*\* Director representing employee shareholders and director representing employees excluded.

\*\*\*\* Director representing employees excluded.

## 1. The board of directors

## List of directorships and other functions of directors at December 31, 2018

	<b>Mr. Jean-Pascal Tricoire</b> Chairman of the board of directors and Chief Executive Officer	<b>Mr. Léo Apotheker*</b> Vice-Chairman independent lead director
	Age: 55 years Nationality: French Business Address: Schneider Electric 35, rue Joseph Monier, 92500 Rueil-Malmaison, France <b>623,523<sup>(1)</sup> Schneider Electric SE shares</b>	Age: 65 years Nationality: French/German Business Address: Flat A, 15 Eaton Square, London SW1W 9DD, England <b>3,093 Schneider Electric SE shares</b>
<b>Experience and qualifications</b>	After graduating from ESEO Angers and obtaining a MBA from EM Lyon, Jean-Pascal Tricoire spent his early career with Alcatel, Schlumberger and Saint-Gobain and joined the Schneider Electric Group (Merlin Gerin) in 1986. From 1988 to 1999 he occupied operational functions within Schneider Electric abroad, in Italy (5 years), China (5 years) and South Africa (1 year). He held corporate positions from 1999 to 2001: Director in charge of Strategic Global Accounts and the "Schneider 2000 +" strategic plan. From January 2002 to the end of 2003, he was Executive Vice-President of Schneider Electric's International Division. In October 2003, he was appointed Deputy CEO, before becoming Chairman of the management board of Schneider Electric SA on May 3, 2006. On April 25, 2013, following the change in mode of governance of the Company, he was appointed Chairman and CEO then re-elected on April 25, 2017.	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. Voting member of the Schneider Electric SA, now Schneider Electric SE, board since 2008, Léo Apotheker was appointed Vice-Chairman independent lead director in May 2014.
<b>Term of office</b>	First appointed: 2013/Term ends: 2021	First appointed: 2008/Term ends: 2020
<b>Current directorship</b>	Chairman and CEO of <b>Schneider Electric SE</b> , 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.	Vice-Chairman independent lead director of <b>Schneider Electric SE</b> .
<b>Current external appointments</b>	Chairman of the France-China Committee.	<b>Other directorships at a listed company:</b> Director of <b>NICE-Systems Ltd</b> (Israel).  <b>Other directorships or functions:</b> Chairman of the board of directors of Unit 4 NV (the Netherlands), Chairman of the Supervisory board of Signavio GmbH (Germany), Chairman of Synchron International AB (Sweden), Director of KMD A.S. (Denmark), Director of P2 Energy Solutions (United States), Director of Taulia (United States).
<b>Previous directorship</b>	<b>Previous directorships and functions held in the past 5 years:</b> Chairman of the management board of <b>Schneider Electric SA</b> .	<b>Previous directorships and functions held in the past 5 years:</b> Manager of "Efficiency Capital" fund, Member of the supervisory board of <b>Steria</b> , Chairman of the board of KMD A.S. (Denmark).
<b>Committee membership</b>		Chairperson of the Governance and remunerations committee and member of the Digital committee.

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

1. Held directly or through the FCPE.

\* An independent director within the meaning of the AFEP/MEDEF corporate governance Code.

**Ms. Betsy Atkins\***

Director of Schneider Electric SE

Age: 65 years

Nationality: American

Business address: BAJACORP, 10 Edgewater Drive, Ste 10A  
Coral Gables, FL 33133, United States**1,000 Schneider Electric SE shares****Ms. Cécile Cabanis\***

Director of Schneider Electric SE

Age: 47 years

Nationality: French

Business Address: Danone, 17 boulevard Haussmann,  
75009 Paris, France**1,000 Schneider Electric SE shares****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 started her career in 1995 at L'Oréal in South Africa, and then in France. In 2000, she became Deputy Director of the Orange group's Mergers and Acquisitions Department. In 2004, she joined Danone as Corporate Finance Director, and subsequently Head of Mergers & Acquisitions. In 2010, Cécile Cabanis was appointed Financial Director for the worldwide Fresh Dairy Products business. Since February 2015, she has been Chief Financial Officer and a member of the Executive Committee of Danone. She became the Head of Information Systems and Technologies in March 2017, and she has been in charge of Cycles, Procurement and Sustainable Resources Development at Danone since October 2017. She is a member of the board of directors of Danone.

**Term of office**

First appointed: 2011/Term ends: 2019

First appointed: 2016/Term ends: 2020

**Current directorship**Director of **Schneider Electric SE**.Director of **Schneider Electric SE**.**Current external appointments**

**Other directorships or functions at listed companies:**  
Member of the board of directors, Chairperson of the Compensation committee and member of the Nominated and Governance committee of **Wynn Resorts Inc.** (United States), Member of the board of directors and member of the Audit committee of **SL Green Realty Corp.** (United States),

**Other directorships or functions:**  
Member of the board of directors of Volvo Cars AB (Sweden); CEO of Baja LLC.

**Other directorships or functions at listed companies:**  
Director, Chief financial officer, IS/IT, Cycles and Purchases and member of the Executive Committee of **Danone SA** (France), Member of the Supervisory board of **Mediawan** (France).

**Other directorships or functions:**  
Director of Michel et Augustin SAS (France), Member of the supervisory Board of Société éditrice du Monde (France), Director and Chairman of Livelihoods Fund (SICAV) (Luxembourg).

**Previous directorship****Previous directorships and functions held in the past 5 years:**

Member of the Financial Policy & Compensation committee of **Cognizant Inc.** (United States), Member of the board of directors of **HD Supply Holdings, Inc.** (United States), 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 **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), Chairman of the advisory board of **SAP**, Member of ZocDoc advisory board.

**Previous directorships and functions held in the past 5 years:**

Non voting director of **Schneider Electric SE**, Director of Danone Djurdjura, Danone fund for Ecosystem, Produits Laitiers Frais Iberia, Danone SA, Compagnie Gervais Danone, Dan Trade B.V., Danone CIS Holdings B.V., Danone Industria LLC, Danone Russia, DanoneWave (Public Benefit Corporation – United States), Member of the supervisory board of Danone Sp. z.o.o. and of Toeca International Company B.V.

**Committee membership**

Member of the Investment committee and of the Digital committee.

Chairperson of the Audit and Risks committee.

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

\* An independent director within the meaning of the AFEP/MEDEF corporate governance Code.

## 1. The board of directors

**Mr. Antoine Gosset-Grainville\***

Director of Schneider Electric SE

Age: 52 years

Nationality: French

Business Address: BDGS Associés, 51 rue François 1<sup>er</sup>, 75008, Paris, France

1,000 Schneider Electric SE shares

**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.

**Term of office**

First appointed: 2012/Term ends: 2020

**Current directorship**Director of **Schneider Electric SE**.**Current external appointments**

**Other directorships or functions at listed companies:**  
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 directorship****Previous directorships and functions held in the past 5 years:**

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**.

**Committee membership**

Member of the Audit and risks committee.

**Mr. Fred Kindle\***

Director of Schneider Electric SE

Age: 59 years

Nationality: Swiss

Business Address: Vaistligasse 1 9490 Vaduz, Liechtenstein

40,000 Schneider Electric SE shares

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.

First appointed: 2016/Term ends: 2020

Director of **Schneider Electric SE**.

**Other directorships or functions at listed companies:**  
Chairman of the board of directors of **VZ Holding AG** (Switzerland) and Chairman of the Compensation Committee.

**Other directorships or functions:**  
Director of Stadler Bussnang AG (Switzerland) and Chairman of the Strategy Committee.

**Previous directorships and functions held in the past 5 years:**

Non-voting director of **Schneider Electric SE**, Director of **Exova Plc** (United Kingdom) and member of the Appointments Committee, 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), Vice-Chairman of **Zurich Insurance Group Ltd** (Switzerland), member of the Governance and Appointments Committee and member of the Remuneration Committee, Chief Executive Officer of **Kinon AG** (Switzerland).

Chairperson of the Investment committee and member of the Audit and risks committee and of the Governance and remunerations committee.

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

\* An independent director within the meaning of the AFEP/MEDEF corporate governance Code.

## Mr. Willy R. Kissling

Director of Schneider Electric SE

Age: 74 years

Nationality: Swiss

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

1,600 Schneider Electric SE shares

### 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 Bührlé Ltd, which became OC Oerlikon Ltd), construction materials (Holcim Ltd, Cement, Forbo Ltd Floring, Rigips GmbH, Gypsum), packaging (Chairman of SIG Ltd) and logistics (acquired at Kühne&Nagel Ltd). Willy R. Kissling has also been a member on various supervisory boards including those of Pratt & Whitney and Booz Allen Hamilton.

He began his career at Amiantus Corporation and then joined Rigips, a plasterboard manufacturer, in 1978. He was appointed to the Rigips Executive Committee in 1981 and subsequently became CEO. From 1987 to 1996, Mr. Willy Kissling served as CEO of Landis&Gyr Corporation, a provider of services, systems and equipment for energy management, building control and payment systems for payphone operators. From 1998 to 2005 he was executive chairman of Oerlikon Bührlé Holding AG (renamed OC Oerlikon Corp.).

### Term of office

First appointed: 2001/Term ends: 2020

### Current directorship

Director of **Schneider Electric SE**.

### Current external appointments

### Committee membership

Member of the Audit and risks committee, of the Governance and remunerations committee and of the Human Resources and CSR committee.

## Ms. Linda Knoll\*

Director of Schneider Electric SE

Age: 58 years

Nationality: American

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

1,000 Schneider Electric SE shares

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.<sup>1</sup>

First appointed: 2014/Term ends: 2022

Director of **Schneider Electric SE**.

### Other directorships or functions at listed companies<sup>1</sup>:

Chief Human Resources Officer and member of the Group Executive Council of **CNH Industrial N.V.** (the Netherlands), Chief Human Resources Officer and member of the Group Executive Council of **Fiat Chrysler Automobiles N.V.** (the Netherlands).

Chairperson of the Human Resources and CSR Committee and member of the Governance and remunerations committee.

1. At the date of the board of directors of February 13, 2019, the information are as follows:

Business address: Fiat Chrysler Automobiles, 1000 Chrysler Drive, CIMS # 485-05-97 Auburn Hills, Michigan 48326, United States

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

Chief Human Resources Officer and member of the Group Executive Council of **Fiat Chrysler Automobiles N.V.** (the Netherlands).

### Previous directorships and functions held in the past 5 years:

Chief Human Resources Officer and member of the Group Executive Council of **CNH Industrial N.V.** (the Netherlands).

### Experience and qualifications:

In January 2019, Ms. Knoll stepped down from her CHRO position in CNH Industrial, dedicating her focus to Fiat Chrysler Automobiles.

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

\* An independent director within the meaning of the AFEP/MEDEF corporate governance Code.

## 1. The board of directors

### Ms. Xiaoyun Ma

Director of Schneider Electric SE

Age: 55 years

Nationality: Chinese

Business Address: 8F, Schneider Electric Building, No. 6, East

WangJing Rd. Chaoyang District Beijing 100102, China

9,134<sup>(1)</sup> Schneider Electric SE shares

<b>Experience and qualifications</b>	Graduated from top Chinese universities and holding China Certificate of Public Accountant, Ms. Xiaoyun Ma started her career as a finance professional at an audit firm (PWC). She joined Schneider Electric in 1997 as the controller of Schneider (Beijing) Medium Voltage Co., Ltd. in Beijing China. Since then, she has worked in many different controller and CFO positions, covering manufacturing, supply chain and front office, in the China and Asia Pacific zone, while getting an MBA from New York University in 2004. She is currently the CFO for Schneider's China Operations, 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.
<b>Term of office</b>	First appointed: 2017/Term ends: 2021
<b>Current directorship</b>	Director of <b>Schneider Electric SE</b> .
<b>Current external appointments</b>	<p><b>Other directorships or functions within Schneider Electric Group:</b> Chairman of the board of directors of Schneider Electric IT (China) Co., Ltd. (China);</p> <p>Vice Chairman of the board of directors of Schneider Electric (Xiamen) Switchgear Co., Ltd., Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd. (China); Citic Schneider Smart Building Technology (Beijing) Co., Ltd., Beijing BipBop Efficiency and Automation Application Technology Center (China);</p> <p>Director of Full Excel (Hong Kong) Limited (Hong Kong), Schneider Electric (China) Co., Ltd., Tianjin Merlin Gerin Co., Ltd., Schneider Shanghai Power Distribution Electrical Apparatus Co., Ltd., Schneider Shanghai Low Voltage Terminal Apparatus Co., Ltd., Schneider Shanghai Industrial Control Co., Ltd., Schneider Busway (Guangzhou) Ltd., Schneider (Beijing) Medium Voltage Co., Ltd., Schneider (Beijing) Medium and Low Voltage Co., Ltd., Schneider Merlin Gerin Low Voltage (Tianjin) Co., Ltd., Schneider (Suzhou) Transformer Co., Ltd., Schneider Shanghai Apparatus Parts Manufacturing Co., Ltd., Schneider Great Wall Engineering (Beijing) Co., Ltd., Schneider Wingoal (Tianjin) Electric Equipment Co., Ltd., Shanghai ASCO Electric Technology Co., Ltd. (formerly known as Schneider Automation Solutions (Shanghai) Co., Ltd.), Schneider (Shaanxi) Baoguang Electric Apparatus Co., Ltd., Clipsal Manufacturing (Huizhou) Co., Ltd., Shanghai Schneider Electric Power Automation Co., Ltd., Schneider Switchgear (Suzhou) Co., Ltd., Telvent-BBS High &amp; New Tech (Beijing) Co., Ltd., Beijing Leader Harvest Electric Technologies Co., Ltd., Schneider Electric Equipment and Engineering (Xi'an) Co., Ltd., Shanghai Foxboro Co., Ltd., Shanghai Invensys Process Systems Co., Ltd.; Schneider Smart Technology Co., Ltd., Wingoal Nirvana (Suzhou) Low Voltage Electric Equipment Co., Ltd. (China), Supervisor of Zircon Investment Shanghai Co., Ltd. (China);</p> <p>Executive director of Beijing Leader Harvest Energy Efficiency Investment Co., Ltd. (China).</p> <p><b>Other directorships or functions outside Schneider Electric Group:</b> Vice Chairman of the board of directors of Sunten Electric Equipment Co., Ltd. (China).</p>
<b>Previous directorship</b>	<p><b>Previous directorships and functions held in the past 5 years:</b> Chairman of the board of Merten (Shanghai) Electric Technology Co. Ltd., Citect Control Systems (Shanghai) Co., Ltd., RAM Electronic Technology and Control (Wuxi) Co., Ltd., Beijing Chino Harvest Wind Power Technology Co., Ltd., Director of Pelco (Shanghai) Trading Co., Ltd., Schneider (Suzhou) Drives Co.,Ltd., Schneider Electric Manufacturing (Chongqing) Co., Ltd., Schneider Electric Manufacturing (Wuhan) Co., Ltd., Shanghai East Best &amp; Lansheng Smart Technology Co., Ltd., Schneider Electric Trading (Wuhan) Co., Ltd., Tevent Control Systems (China) Co., Ltd., Schneider Automation &amp; Control Systems (Shanghai) Co., Ltd., Ennovation Systems Control Co., Ltd. (China).</p>
<b>Committee membership</b>	Member of the Human Resources and CSR committee and of the Investment committee.

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

<sup>(1)</sup> Held directly or through the FCPE.



## Mr. Patrick Montier

Director of Schneider Electric SE

Age: 62 years

Nationality: French

Business Address: Zac de la chantrerie, Route de Gachet, BP 80701, 44307 Nantes cedex 3, France

4,140<sup>(1)</sup> Schneider Electric SE shares

## Ms. Fleur Pellerin\*

Director of Schneider Electric SE

Age: 45 years

Nationality: French

Business address: Korelya Capital, 87 rue Réaumur, 75002 Paris, France

1,000 Schneider Electric SE shares

### Experience and qualifications

Graduated from the Institute of Business Administration of the University of Nantes (France), Patrick Montier began his career at Schneider Electric in 1978 as a Business Engineer of the applications and systems department. In 1986, he joined France Country organization and contributed to the development of business activities in the instrumentation and automation fields and in regional marketing as project manager for launching new offers. In 1999, he was appointed regional executive of the France Training Institute in charge of relations with educational institutions (universities, engineering schools, academies). Since 2010, he has been in charge of partnerships with organizations imparting vocational training. Meanwhile, in 2003 he joined the trade union Force Ouvrière and became its Group deputy coordinator in 2010 until the end of January 2017. In September 2017, he was designated director representing the employees of Schneider Electric SE.

Ms. Fleur Pellerin graduated from the *Ecole Supérieure des Sciences Economiques et Commerciales* (ESSEC), the *Paris Institut d'Etudes Politiques* (IEP-Sciences-Po), and the *Ecole Nationale d'Administration* (ENA).

She became a magistrate at the Court of Auditors in the early 2000s. In addition, she worked for the United Nations as an external auditor. In 2007, she joined "Club XXI<sup>e</sup> Siècle", a not-for-profit association dedicated to diversity and equal opportunities, and served as its president between 2010 and 2012. She took over as French Minister for SMEs, Innovation and Digital Economy in 2012 where she launched a program for the development of French startups referred to as "French Tech". In April 2014 she was appointed Secretary of State for Foreign Trade, Tourism Development and French people residing abroad, a position that she held till August 2014. Additionally, Fleur Pellerin is a lecturer at the ENA and was a Director of the *Public Sénat* channel from 2011-2012. In 2016 she left politics and founded Korelya Capital, an investment fund with €200 million in funding which promotes and supports investments in technology start-ups in France and in Europe.

### Term of office

First appointed: 2017/Term ends: 2021

First appointed: 2018/Term ends: 2022

### Current directorship

Director of **Schneider Electric SE**.

Director of **Schneider Electric SE**.

### Current external appointments

**Other directorships or functions at a listed company:**  
Member of the Supervisory Board of **KLM** (the Netherlands).

### Other directorships or functions:

Director and CEO of Korelya Consulting, Korelya Capital, Korelya Fondateurs (France), Director or Observer of Devialet, Snips, Ledger and Naver France (France), Member of the Strategic consultative committee of Talan (France); Member of the board or supervisory committee of following Associations: Canneseries, Institut Montaigne, Fonds de dotation du Musée du Louvre and France Digitale (France).

### Previous directorship

#### Previous directorships and functions held in the past 5 years:

Regional Chairman (Loire) of AFDET association (French Association for Technical Education Development a non-profit association as per the French Law of 1901), representative of the Central Works Council at the Board of Directors of Schneider Electric Industries SAS, director of CAPRA Prévoyance.

#### Previous directorships and functions held in the past 5 years:

Minister for Foreign Trade and Tourism (2014).

### Committee membership

Member of the Investment committee.

Member of the Audit and risks committee, of the Human Resources and CSR committee and of the Digital Committee.

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

\* An independent director within the meaning of the AFEP/MEDEF corporate governance Code.

<sup>(1)</sup> Held directly or through the FCPE.

## 1. The board of directors

<b>Mr. Anders Runevad*</b> Director of Schneider Electric SE		<b>Mr. Gregory Spierkel*</b> Director of Schneider Electric SE	
	<p><b>Age:</b> 58 years  <b>Nationality:</b> Swedish  <b>Business Address:</b> Vestas Wind Systems A/S, Hedeager 42, 8200 Aarhus N, Denmark  <b>1,000 Schneider Electric SE shares</b></p>		<p><b>Age:</b> 61 years  <b>Nationality:</b> Canadian  <b>Business Address:</b> 325 Weymouth Place, Newport Beach, California, United States  <b>1,000 Schneider Electric SE shares</b></p>
<b>Experience and qualifications</b>	<p>Anders Runevad holds a Master of Science Degree in Electrical Engineering from the University of Lund (Sweden), where he also studied business and economy.</p> <p>He joined Ericsson in 1984 as a Design Engineer before assuming roles in R&amp;D, Product Management, Marketing and Sales in Sweden and abroad (Singapore and the U.S.). He then held various management positions at Ericsson in different countries (Sweden, Singapore, US, Brazil and UK). In 1998 he was appointed President Ericsson Singapore. From 2000 to 2004 he served as Vice-president Sales and Marketing, Ericsson Mobile Communications AB. In 2004 he was appointed President of Ericsson Brazil, where he was responsible for Ericsson's overall telecommunications infrastructure and service business. From 2007 until 2010 he served as Executive Vice-president, and director of the board at Sony Ericsson Mobile Communications AB. He then became President of Western &amp; Central Europe at Telefonaktiebolaget LM Ericsson (public company) in 2010. In 2013, he left Ericsson to join Vestas Wind Systems A/S as Chief Executive Officer and Group President, a position he still holds. He also serves as a Director of Nilfisk Holding A/S (former division of NKT A/S).</p>	<p>Mr. Spierkel holds a Bachelor's degree in Commerce from Carleton University (Ottawa) and a Master's Degree in Business Administration from Georgetown University. He also attended the Advanced Manufacturing program at INSEAD.</p> <p>Mr. Spierkel began his career working for Bell Canada in sales and product development, followed by a period with Nortel Inc. in market research. For 4 years, he served as Managing Director of Mitel Telecom with responsibilities over Europe and Asia. He then spent 5 years at Mitel Corp. where he served as President of North America and President of Global Sales and Marketing. In August 1997, he joined Ingram Micro as a Senior Vice-President Asia-Pacific. In June 1999, he was appointed as Executive Vice-president and President of Ingram Micro Europe. He was promoted to President of the Ingram Micro Inc. group in 2004, before assuming the role of CEO of Ingram Micro Inc. in 2005. He retained this position, and his seat on the board of directors, until his departure in 2012. Since 2012, Mr. Spierkel has been providing advisory and consulting services to private equity firms with investments in the information technology sector.</p>	
<b>Term of office</b>	First appointed: 2018/Term ends: 2022	First appointed: 2015/Term ends: 2019	
<b>Current directorship</b>	Director of <b>Schneider Electric SE</b> .	Director of <b>Schneider Electric SE</b> .	
<b>Current external appointments</b>	<p><b>Other directorships or functions at listed companies:</b>                      President &amp; CEO of <b>Vestas Wind Systems A/S</b> (Denmark), Director of <b>Nilfisk Holding A/S</b> (Denmark).</p> <p><b>Other directorships or functions:</b>                      Chairman of the Board of MHI Vestas Offshore Wind (Denmark) and various Vestas Wind Systems A/S subsidiaries.</p> <p><b>Positions of trust:</b>                      Member of the General Council of the Confederation of Danish Industry; member of the Industrial Policy Committee of the Confederation of Danish Industry.</p>	<p><b>Other directorships or functions at listed companies:</b>                      Director of <b>MGM Resorts International</b> (USA), Chairman of the Audit Committee and member of the Governance Committee; Director of <b>PACCAR Inc.</b> (USA), Chairman of the Compensation Committee and member of the Audit Committee.</p> <p><b>Other directorships or functions:</b>                      Member of McLaren Advisory Group (McLaren Technology Group) (United Kingdom), Advisor at cybersecurity firm Cylance (USA).</p>	
<b>Previous directorship</b>	<b>Previous directorships and functions held in the past 5 years:</b> Director of <b>NKT A/S</b> (end 2018).	<b>Previous directorships and functions held in the past 5 years:</b> Non-voting director of <b>Schneider Electric SE</b> .	
<b>Committee membership</b>	Member of the Investment committee.	Chairperson of the Digital committee and member of the Governance and remunerations committee and of the Investment committee.	

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

\* An independent director within the meaning of the AFEP/MEDEF corporate governance Code.

## Non-voting member

### Mr. Lip-Bu Tan

Non-voting member

Age: 59 years

Nationality: American

Business Address: One California Street, Suite 1750, San Francisco, CA 94111, United States

## Honorary Chairman

### Mr. Didier Pineau-Valencienne

Honorary Chairman

<b>Experience and qualifications</b>	<p>Lip-Bu Tan holds a Master of Science in Nuclear Engineering from the Massachusetts Institute of Technology, an MBA from the San Francisco University and a Bachelor of Science degree from the Nanyang University of Singapore.</p> <p>Mr. Tan is currently CEO and board member of Cadence Design Systems, Inc., position that he has been holding since 2009 and 2004 respectively. He also serves as Chairperson of Walden International, a venture capital firm he founded in 1987. Prior to founding Walden, he was Vice-president of Chappell &amp; Co. and held management positions at EDS Nuclear and ECHO Energy. He has been an independent member of the board of Hewlett Packard Enterprise Co. since November 2015 and a board member of Aquantia since March 2015, position that he will leave at the end of its term in June 2019.</p>
<b>Term of office</b>	<p>Co-optation as non-voting director: October 2018 Candidate for election: April 2019</p>
<b>Current directorship</b>	<p>Non-voting director of <b>Schneider Electric SE</b>.</p>
<b>Current external appointments</b>	<p><b>Other directorships or functions at listed companies:</b> Board member of <b>Hewlett Packard Enterprise (USA)</b> and <b>Aquantia Corporation (USA)</b>.</p> <p><b>Other directorships or functions:</b> Board member of Advanced Micro-Fabrication Equipment Inc (Shanghai), Habana Labs Ltd. (Israel), CNEX Labs, Inc. (USA), Fungible, Inc. (USA), Innovium, Inc. (USA), Komprise (USA), RF Pixels, Inc.(USA), Tagore Technology, Inc. (USA), LightBits Labs (Israel), Oryx Vision (Israel), Proteantecs (Israel), Rosetal System Information Ltd. (dba Localize) (Israel), Vayyar Imaging (Israel), WekaIO, LTD (Israel), HiDeep, Inc. (South Korea), Silicon Mitus, Inc. (south Korea), SambaNova Systems, Inc. (USA), Board of The Electronic System Design Alliance (ESD Alliance), Member of the Board of Trustees and the School of Engineering Dean's Council at Carnegie Mellon University (CMU), Global Advisory Board Member of METI Japan, Member of the Board of Global Semiconductor Alliance (GSA), Member of The Business Council and Committee 100.</p>
<b>Previous directorship</b>	<p><b>Previous directorships and functions held in the past 5 years:</b> Board member of Semiconductor Manufacturing International Corporation (China), SINA Corporation (China), Quantenna Communications, Inc. (USA), Ambarella Inc. (USA).</p>
<b>Committee membership</b>	<p>Member of the Investment committee and of the Digital committee.</p>

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

## 1. The board of directors

### Independent directors

Each year, as provided under AFEP/MEDEF corporate governance Code, the board of directors, on the report of the Governance and remunerations committee, dedicates one of the points on its agenda to the qualification of its members as independent with regard to the criteria for independence set out in Article 8.5 of the Code and presented in the table below.

#### Criterion 1: Employee Company officer within the previous 5 years

Not to be and not to have been within the previous five years:

- an employee or executive officer of the Company;
- an employee, executive officer or director of a company consolidated within the Company;
- an employee, executive officer or director of the Company's parent company or a company consolidated within this parent company.

#### Criterion 2: Cross-directorships

Not to be an executive officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the Company (currently in office or having held such office within the last five years) holds a directorship.

#### Criterion 3: Significant business relationships

Not to be a customer, supplier, commercial banker, investment banker or consultant:

- that is significant to the Company or its group;
- or for which the Company or its group represents a significant portion of its activity.

The evaluation of the significance or otherwise of the relationship with the Company or its group must be debated by the board and the quantitative and qualitative criteria that led to this evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the annual report.

#### Criterion 4: Family ties

Not to be related by close family ties to a Company officer.

#### Criterion 5: Auditor

Not to have been an auditor of the Company within the previous 5 years.

#### Criterion 6: Period of office exceeding 12 years

Not to have been a director of the Company for more than 12 years. Loss of the status of independent director occurs on the date of the 12<sup>th</sup> anniversary.

#### Criterion 7: Status of non-executive officer

A non-executive officer cannot be considered independent if he or she receives variable compensation in cash or in the form of securities or any compensation linked to the performance of the corporation or group.

#### Criterion 8: Status of the major shareholder

Directors representing major shareholders of the Company or its parent company may be considered independent, provided these shareholders do not take part in the control of the Company. Nevertheless, beyond a 10% threshold in capital or voting rights, the board, upon a report from the Governance and remunerations committee, should systematically review the qualification as independent in the light of the make-up of the Company's capital and the existence of a potential conflict of interest.

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 referred to the board of directors;

the existing business relations between Schneider Electric and these companies in which the members of the board of directors are employed or serve as officers are not likely to prejudice their independence, indeed, when such operations exist, they are agreed at arm's length and their amounts are without a doubt insignificant for each party, in particular with regard to respective size of the groups concerned.

As regards Mr. Anders Runevad, his term of office at Vestas Wind Systems A/S should not prejudice his independence: representing less than 0.1% of the consolidated turnover of each Group, the business relation between Schneider Electric and Vestas is considered as insignificant for each party.

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, 2018, there are 13 directors, 9 of whom are independent according to the definition contained in the AFEP/MEDEF corporate governance Code. These are Mr. Léo Apotheker, Ms. Betsy Atkins, Ms. Cécile Cabanis, Mr. Antoine Gosset-Grainville, Mr. Fred Kindle, Ms. Linda Knoll, Ms. Fleur Pellerin, Mr. Anders Runevad and Mr. Gregory Spierkel.

Mr. Jean-Pascal Tricoire, as Chief Executive Officer, Ms. Xiaoyun Ma, as employee shareholder representative, Mr. Patrick Montier as employee representative, and Willy Kissling, who has served on the board for over 12 years, are not considered to be independent directors under the AFEP/MEDEF guidelines.

The AFEP/MEDEF corporate governance Code recommends that there be, in non-controlled companies, at least 50% independent directors on the board. Directors representing employee shareholders and directors representing employees are not computed in calculating this percentage. The proportion of independent directors of the Company, excluding Xiaoyun Ma, who represents employee shareholders, and Patrick Montier, who represents employees, is therefore 82%.

The following table shows the status of each director with regard to the criteria for independence set out in Article 8.5 of the AFEP/MEDEF corporate governance Code.

Criteria <sup>(1)</sup>	Jean-Pascal Tricoire	Léo Apotheker	Betsy Atkins	Cécile Cabanis	Antoine Gosset-Grainville	Fred Kindle	Willy Kissling	Linda Knoll	Xiaoyun Ma	Patrick Montier	Fleur Pellerin	Anders Runevad	Gregory Spierkel
<b>Criterion 1:</b> Employee corporate officer within the past 5 years	✗	✓	✓	✓	✓	✓	✓	✓	✗	✗	✓	✓	✓
<b>Criterion 2:</b> Cross-directorships	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Criterion 3:</b> Significant business relationships	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Criterion 4:</b> Family ties	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Criterion 5:</b> Auditor	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Criterion 6:</b> Period of office exceeding 12 years	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓
<b>Criterion 7:</b> Status of non executive officer	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Criterion 8:</b> Status of the major shareholder	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Conclusion</b>	✗	✓	✓	✓	✓	✓	✗	✓	✗	✗	✓	✓	✓

(1) In this table, ✓ signifies that a criterion for independence is satisfied and ✗ signifies that a criterion for independence is not satisfied.

## Diversity policy within the board of directors

The board of directors pays due attention to its composition and that of its committees. It relies on the works of the Governance and remunerations committee which reviews regularly and proposes as often as required the relevant changes to the composition of board of directors and its committees depending on the Group's strategy.

In that respect, in conformity with its internal regulations, the board of directors ensures through its proposals and its decisions that:

- its composition reflects the international nature of the Group's activities and of its shareholders by having a significant number of members of non-French nationality;
- it protects the independence of the board through the competence, availability and courage of its members;
- it encourages an open and unrestricted speech;
- it pursues its objective of diversifying the board of directors in compliance with the legal principle of attaining balanced representation between men and women on the board;
- it appoints persons with the expertise required for developing and implementing the Group strategy while considering the objectives of diversity based on criteria such as age, professional skills and experiences;
- employee shareholders and employees shall continue to be represented on the board in compliance with the provisions set forth in Articles 11.3 and 11.4 of the Articles of Association;
- it preserves the continuity of the board by changing some of its members at regular intervals, if necessary by anticipating the expiry of members' terms of office.

## 1. The board of directors

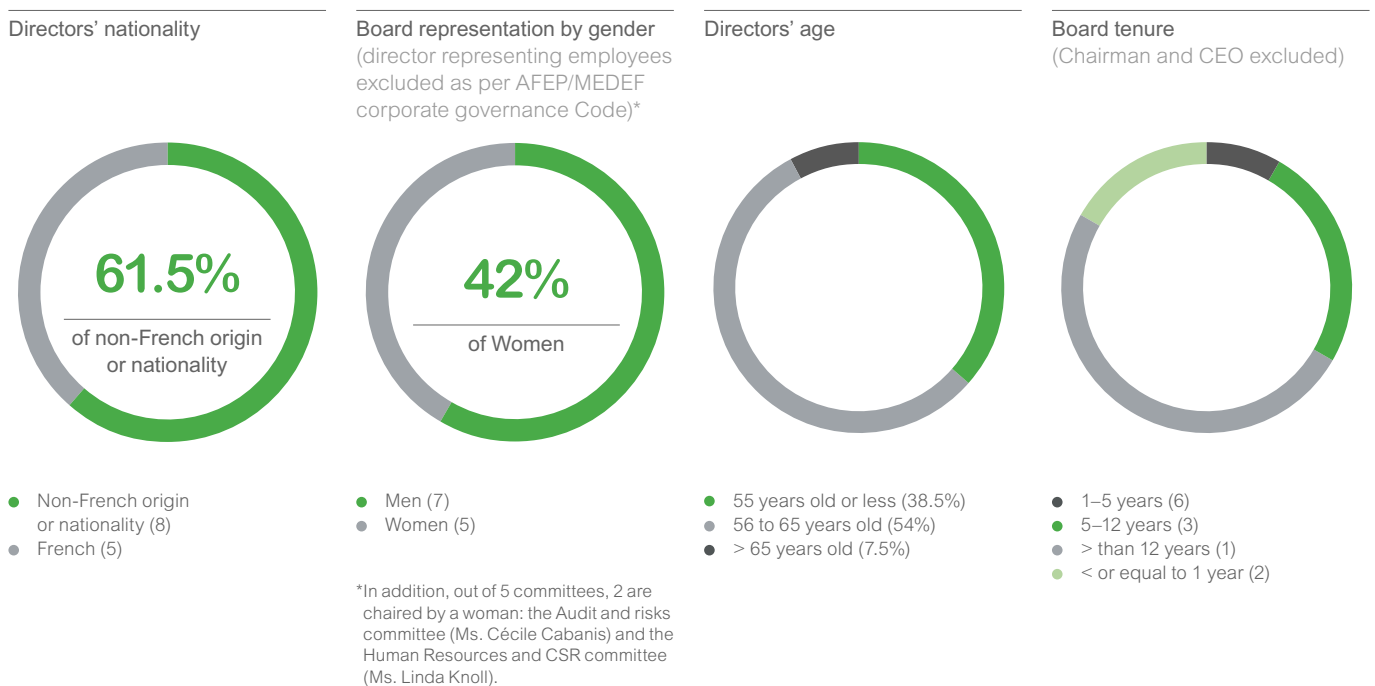
Out of 13 directors and excluding the Chairman and Chief Executive Officer:

- 9 have financial or accounting skills,
- 7 have industrial expertise,
- 5 have digital skills,
- 5 have a deep knowledge of the US market,
- 4 have a deep knowledge of the Asian market,
- 3 are former or current CEOs of listed companies in energy sector.

Ms. Xiaoyun Ma represents the employee shareholders in accordance with the provisions of Article L. 225-23 of the French Commercial Code. She was appointed at the Annual Shareholders' Meeting upon the recommendation of the supervisory boards of the FCPEs.

Mr. Patrick Montier represents the employees in accordance with the provisions of Article L. 225-27-1 of the French Commercial Code. He was appointed by the most representative trade union organization at the Group level in pursuance of Article 11.4 of the Articles of Association.

As of December 31, 2018:



The last self-assessment of the board of directors conducted in 2018 highlighted a well-balanced composition made of new-comers and members with a longer tenure having a good knowledge of the business and history of the Company.

Schneider Electric is deeply committed towards diversity in general and gender diversity in particular. Schneider Electric focuses on taking proactive measures to encourage a balanced representation of men and women at the leadership level: the portion of women at the Executive Committee has been increased on January 1, 2019 to more than 25%. For the leadership pool comprising of the top 1,000 leaders, the female representation remains flat at 21.5%, while in the top 10% among NDVC (senior management), representing as much as 7,000 employees, the female representation reaches 22%.

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

Two directors' terms are expiring following the Annual Shareholders' Meeting of April 25, 2019, namely those of Ms. Betsy Atkins and Mr. Greg Spierkel.

The board of directors of February 13, 2019 took note of:

- Ms. Betsy Atkins's decision not to present herself as candidate for the renewal of her term;
- Mr. Antoine Gosset-Grainville's wish to put an end to his role as a director at the end of the next Annual Shareholders' Meeting.

The board of directors unanimously decided to propose at the Annual Shareholders' Meeting of April 25, 2019:

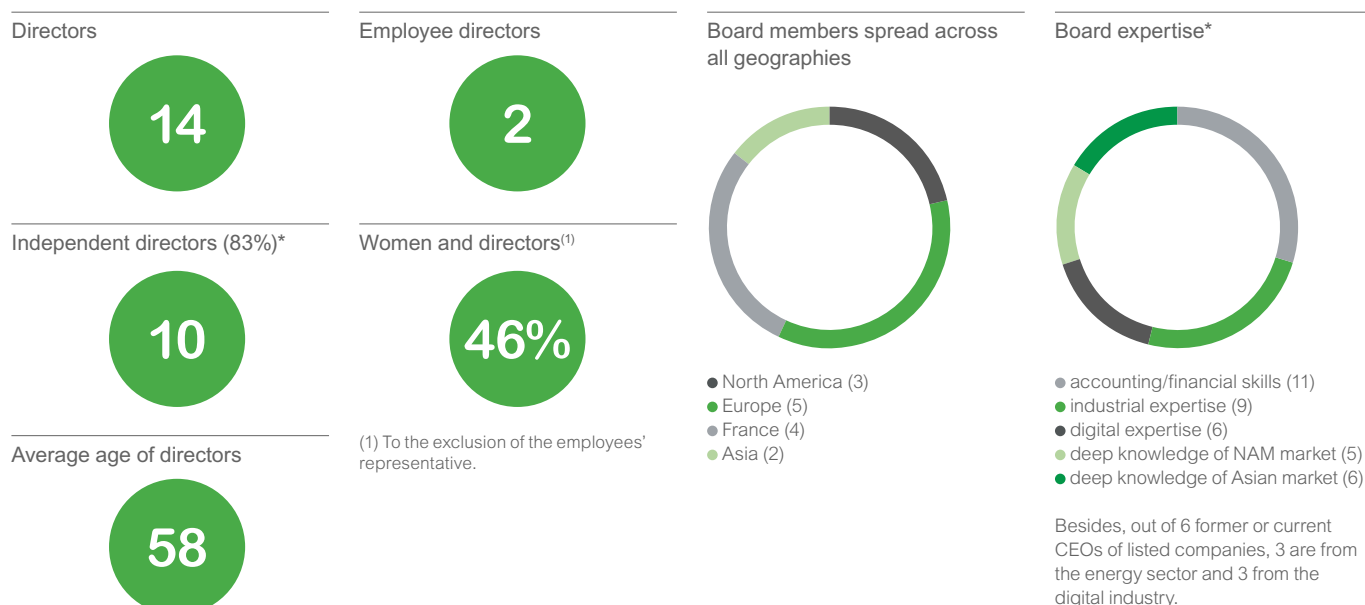
- the renewal of Mr. Greg Spierkel for a 4-year term;
- the appointments of Ms. Carolina Dybeck Happe, Ms. Xuezheng Ma and Mr. Lip-Bu Tan.

In that respect, should the Shareholders' Meeting approves these proposals:

- (i) Ms. Carolina Dybeck Happe will be appointed for a four-year term. She will qualify as an independent director with regard to all the criteria set by Article 8.5 of the AFEP/MEDEF corporate governance Code. Ms. Carolina Dybeck Happe, 46 years old, a Swedish citizen, has joined A.P. Moller-Maersk A/S in January 2019 as Chief Financial Officer and Executive committee member. She has previously been pursuing her career with Assa Abloy AB, a company listed in Sweden, where she was appointed Executive Vice-president and Chief Financial Officer in 2012 after holding several positions as Chief Financial Officer of various geographical zones including Germany and the United Kingdom. Ms. Dybeck Happe has also served as a member of the supervisory board of E.ON since June 2016. She will bring to the board her finance and industry skills in sectors adjacent to that of Schneider Electric and her deep knowledge of the constraints and specificities of listed companies.
- (ii) Ms. Xuezheng Ma will be appointed for a four-year term. She will qualify as an independent director with regard to all the criteria set by Article 8.5 of the AFEP/MEDEF corporate governance Code. Ms. Xuezheng Ma, also known as Mary, 66 years old, a Hong Kong Chinese citizen, co-founded Boyu Capital Advisory Co. Ltd. in 2011 and has been its Managing Partner since then. Prior to Boyu Capital, she was a Partner of TPG Capital and Co-Chairman of TPG China, a global private equity investment firm. She joined Lenovo Group in 1990 and was appointed Chief Financial Officer, Senior Vice President and Executive Director of the board, positions that she held from 1997 to 2007 before serving as non-Executive Vice-Chairman until 2013. She has been redesignated to be an Independent Non-Executive Director since 2013. Prior to Lenovo, she was Department Director of the Chinese Academy of Sciences for 12 years. She will bring to the board her extremely rich experience in financial and executive management, strong skills in the field of digital and an acute sense of how to tackle opportunities in Asian markets. Her presence will also contribute to the geographical diversity of the board.
- (iii) Mr. Lip-Bu Tan, who has joined the Schneider Electric board of directors as a non-voting member on October 24, 2018, will be appointed for a four-year term. He will qualify as an independent director with regard to all the criteria set by Article 8.5 of the AFEP/MEDEF corporate governance Code. Mr. Lip-Bu Tan is currently CEO and board member of Cadence Design Systems, as well as Chairman of Walden International, a venture capital firm he founded in 1987. Prior to founding Walden, he was Vice-President of Chappell & Co. and held managing positions at EDS Nuclear and ECHO Energy. He is bringing to the board a valuable contribution in terms of IT/Software and Technology expertise, notably in the field of energy, as well as strong venture capital & investment experience and a deep knowledge of Asian and US markets. In order to give to his new mandate as a board member of Schneider Electric the appropriate amount of time, Mr. Lip-Bu Tan decided to put an end to his board membership with Aquantia as of May 2019.

The renewed board would comprise:

- 14 members;
- 83% of independent directors (excluding consideration of the director representing employee shareholders and the director representing the employees, in accordance with the recommendations of the AFEP/MEDEF corporate governance Code);
- a percentage of women which will rise to 46% (director representing employees excluded as per the provisions of the French Commercial Code) should Ms. Carolina Dybeck Happe and Ms. Xuezheng Ma be appointed; and
- a strong proportion of directors of non-French origin (71.5%) reflecting the international nature of the Group.



\* To the exclusion of the director representing the employee shareholders and the director representing the employees.

\* Excluding CEO.

## 2. Organizational and operating procedures of the board of directors

# 2. Organizational and operating procedures of the board of directors

### 2.1: Governance structure

The Company is a European company with a board of directors. The functions of the Chairman and the Chief Executive Officer are carried out by Mr. Jean-Pascal Tricoire, who was appointed Chairman and Chief Executive Officer on April 25, 2013 and renewed on April 25, 2017.

The performance by Mr. Tricoire of the duties of Chairman and Chief Executive Officer seems particularly appropriate to the board of directors taking into account:

- the composition of the board, which comprises more than 80% independent directors within the meaning of the AFEP/ MEDEF corporate governance Code;
- the economic environment, which requires responsiveness through leadership and clarity in designating the person in charge of directing the Group. This clarification given by the use of the title of Chairman (*Président*) is particularly necessary *vis-à-vis* employees, customers and partners, in France and abroad;
- mechanisms provided for by the Articles of Association and internal regulations to ensure accurate information and effective mode of operation of the board of directors, in particular the appointment of a Vice-Chairman independent lead director and a Deputy Chief Executive Officer, the principle of proposing an executive session at each meeting of the board chaired by the Vice-Chairman independent lead director, and the creation of five 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 24, 2018, due to the efficient governance and the transparency of the Chairman and Chief Executive Officer, which has been confirmed by the external assessment of 2017, the board of directors decided the continuation of the combination of the functions of Chairman and CEO, in accordance with Article 1 of its internal regulations which provides that when the board decides to unify the functions of Chairman and Chief Executive Officer, the board shall deliberate each year thereafter on this decision.

#### Powers and responsibilities of the Vice-Chairman independent lead director

Article 1 of the internal regulations of the board of directors defines the duties and missions of the Vice-Chairman independent lead director who is mandatorily appointed when the board decides to unify the functions of Chairman and Chief Executive Officer. As such, the Vice-Chairman:

- is informed of major events in the life of the Group within the framework of regular contacts and monthly meetings with the Chairman, as well as through contacts that he/she can have with managers of Schneider Electric and possible visits to the Group's sites he/she can undertake. In addition, he/she can attend all meetings of committees of which he/she is not a member;
- can answer shareholders' questions or meet them on governance issues when it is considered that he/she is the most appropriate spokesperson;
- sets the agenda for board meetings with the Chairman;
- chairs the Governance and remunerations committee which, starting from the evaluation of the functioning of the board and that of the CEO, proposes each year to the board to the continuation or separation of the unified functions of Chairman and Chief Executive Officer and, as needed, makes proposals for a successor in one or both functions;
- chairs the "executive sessions", i.e. meetings of the board of directors not in the presence of any executive member, namely the CEO and the Deputy CEO;
- 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 405. **As every year, Mr. Leo Apotheker, Vice-Chairman independent lead director, reported on the missions he carried out in 2018 in line with his functions (see page 396).**

### 2.2: Missions and powers of the board of directors

The board of directors shall determine the strategic orientation of the Company's business in accordance with its social interest and while considering its social and environmental aspects, 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 Annual Shareholders' Meetings and, where applicable, of bondholders, based on the agenda it sets;
- approve the corporate and consolidated financial statements;
- draw up business reviews and reports for Annual Shareholders' Meetings;
- draw up management planning documents and the corresponding reports;
- approve the corporate governance report as provided for in Article L.225-37 of the French Commercial Code;
- decide on the use of authorizations granted at Shareholders' Meetings, more particularly for increasing Company capital, buying back the Company's own shares, carrying out employee shareholding transactions and cancelling shares;
- authorize the issue of bonds;
- decide on the allocation of options or free/performance shares within the limits of authorizations given at Annual Shareholders' Meetings;
- authorize regulated agreements (agreements covered by Article L.225-38 *et seq.* of the French Commercial Code);
- authorize the issue of sureties, endorsements and guarantees;
- decide on the dates for the payment of dividends and any possible interim dividends.

The board of directors may appoint between 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 Annual Shareholders' Meeting.

### 2.3: Internal regulations and procedures of the board of directors

On April 25, 2013, the board of directors adopted its own internal regulations. These were modified later in 2018:

- February 14 to convert the Strategy committee into an Investment committee, to review the missions of the committees and to make it systematic to hold an executive session at the end of each meeting of the board of directors; these modifications were made to implement the action plan adopted by the board in pursuance of its external assessment conducted in 2017,
- December 12 to comply when necessary with the updated AFEP/MEDEF corporate governance Code amended in June 2018 and the new legal requirements relating to the diversity policy applied to board members, review the missions of the Investment committee and introduce other measures decided further to the board self-assessment conducted in 2018 and in particular the completion by board members of the on-boarding program offered to them.

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, the Investment committee and the Digital committee), and the directors' charter as recommended by the AFEP/MEDEF corporate governance Code. The regulations are reproduced on pages 397 to 405 of this registration document and published on the Company's website, [www.schneider-electric.com](http://www.schneider-electric.com). They comprise 14 articles:

**Article 1 deals with the method of exercising Senior Management and the Chairmanship and Vice-Chairmanship of the board of directors.**

It provides that the board shall deliberate each year on the decision to unify the functions of Chairman and Chief Executive Officer and also defines the duties and missions of the Vice-Chairman independent lead director as set out on page 222 of this registration document.

**Article 2 defines the role and powers of the board of directors.** It states that the board of directors shall determine Company business policies in accordance with its social interest and while considering its social and environmental aspects, and ensure that they are implemented. 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 the 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.

## 2. Organizational and operating procedures of the board of directors

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 on the corresponding decision and shall 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 compliance Code governing stock-market transactions, which provides strict rules concerning their transactions on Schneider Electric SE shares (see below);
- attend the shareholders' meeting.

**Article 7** provides that **non-voting members** who attend board meetings in an advisory capacity are subject to the same code of ethics as directors.

**Articles 8 to 13** apply to **committees**. The content of these articles is provided in the section on committees below.

**Article 14** defines the **scope of the internal regulations** of the board of directors.

### 2.4: Information and training of the board of directors and its members

To ensure that the board of directors is well informed at all times, Schneider Electric SE applies the following rules: members of the board have access, via a secure dedicated platform, in principle 10 days before every board meeting, to the agenda for the meeting and to the draft minutes of the last meeting and, 4 to 5 days before, to the board's file. The documentation includes a quarterly activities report, presentations on items scheduled on the agenda or notes and, as appropriate, draft social and consolidated financial information. A supplementary file may also be provided at the meeting.

Executive Committee members are invited, depending on the subject, to present the major issues within their areas of responsibility.

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

Between each meeting of the board of directors, aside from meetings that they may have with the Chairman and CEO, directors receive continuous information through periodic information letters, drafted exclusively for their attention, which keep them informed of developments in the Group, the competitive environment and developments in investor consensus and feedback. They also receive a weekly press review, all of the Company's press releases, relevant financial analysts' reports and other documents.

Board members also have the opportunity to meet informally with key members of Senior Management between board meetings.

Board of directors dinners are also organized in order to offer more opportunities to interact with investors, customers, experts, etc. These dinners are meant to provide to the board members external views on the Group, to increase their understanding of the changes in its business environment and to gain more insight on the needs and motivations of all stakeholders.

#### On-boarding program of new directors

The action plan adopted by the board of directors following its external assessment conducted in 2017 provided for the formalization of a complete on-boarding program for any new director.

As such, new directors are offered a training and information program on the Group's strategy and businesses. It is designed on a case by case basis based on the skills and needs of the concerned director including systematically a common core which comprises of:

- a **set of documents** including, in particular, the last registration document and integrated report, the Company's Articles of Association, the internal regulations of the board of directors, the AFEP/MEDEF corporate governance Code, the compliance Code governing stock-market transactions (see below), the minutes of the board's and committees' meetings for the period starting from the appointment back to the full year before, directors' and officers' liability master policy and the last 3 periodic information letters;
- the **"One Organization" summary** relating to the Group organization;
- a **work session with the Strategy Director and meetings with other members of the Executive Committee and Chairpersons and secretaries of the relevant committees;**
- an **interview with the Secretary of the board of directors and with a person in charge of compliance;**
- a **training on the use of the secure dedicated platform** on which all the board's files are filed and kept;
- the designation of a **mentor** for any new director to facilitate his/her integration;
- as the case may be, **visits to sites** which are particularly illustrative of Schneider Electric's activities.

In addition, the director representing employees, Mr. Patrick Montier, benefits from a training program compliant with legal requirements and approved by the board of directors. In this respect, Mr. Patrick Montier attends the "Certificate Director of companies" ("*Certificat Administrateur de sociétés*") of Sciences Po/IFA.

### Compliance Code governing stock-market transactions

Schneider Electric has adopted a compliance Code governing stock-market transactions for members of the board of directors and Group employees designed to prevent insider trading. Under these provisions, both directors and relevant employees are barred from trading in the Company shares and shares in companies for which they have information that has not yet been made public. In addition, they may not trade in Schneider Electric SE shares during the 31 days preceding the day following publication of the annual and interim financial statements, nor during the 16 days preceding the day following publication of a quarterly update, nor may they engage in any type of speculative trading involving Schneider Electric SE shares (including margin trading, purchasing and selling shares in a period of less than 4 months, etc.). In addition, in accordance with the AFEP/MEDEF corporate governance Code, corporate officers also undertake not to enter into hedges of shares resulting from exercise of options and of performance shares they are required to hold (see page 365). These restrictions supplement the prohibition against hedging unvested stock options and performance shares during their vesting period.

The compliance Code governing stock-market transactions was revised when the European "Market Abuse Regulation" No. 2014/596 of April 16th, 2014 entered into force, and subsequently updated in December 2018. The Regulation obliges companies to draw up insider lists, and market operators to put in place mechanisms aimed at preventing and detecting suspicious transactions, enabling them to report to the Autorité des Marchés Financiers those that seem to them to constitute insider dealing.

## 2.5: Self-assessment of the board of directors

Pursuant to its internal regulations, Schneider Electric SE's board of directors annually reviews its composition, organization and operations, as well as those of its committees. This yearly assessment alternates each year between a written questionnaire sent to board members and an interview with the board member. The evaluation is conducted under the leadership of the Vice-Chairman independent lead director by the secretary of the board of directors.

In addition, as per the AFEP/MEDEF corporate governance Code, the board of directors shall undertake at least once every 3 years a formal self-assessment, which may be conducted with the assistance of an external consultant.

In 2017, a formal self-assessment was carried out under the Governance and remunerations committee's supervision with the assistance of an independent consultancy firm selected pursuant to a tender process on the basis of a detailed questionnaire covering governance in all its dimensions: methods of exercising general management, composition of the board, efficiency of the mode of operation of the board and its committees, relationships with general management, shareholders and stakeholders. The assessment also covered the individual contribution of the members of the board. The external consultant reported the conclusions of this assessment on December 13, 2017 to the Governance and remunerations committee and on December 14, 2017 to the board of directors.

The conclusion of the self-assessment was an unanimous very positive opinion on the composition and the mode of operation of the board of directors and its committees. The directors highlighted the robustness of governance thanks to a management that is "open and transparent", a Vice-Chairman independent lead director committed in its liaison role between the Chairman and the directors, and a board of directors that is dedicated and efficient, the combination ensuring a very satisfactory balance of powers.

The mutual trust between the board and the management and the quality of the Strategy Session were also highlighted.

The external assessment report concluded:

*"The board of Schneider is an efficient board with a well-balanced governance, supported by a diverse composition, productive and engaged committees and an open and transparent management. When benchmarked to board best practices, it ranks at the top".*

This formal assessment also confirmed the importance of the continuity of the regeneration plan which aims at reinforcing skills in the field of new technologies and knowledge of the Asian market. The presence at the board of a French personality of an international stature was also requested. The appointments of Fleur Pellerin and Anders Runevad as directors by the Annual Shareholders' Meeting of April 24, 2018 fully met these needs.

The formal assessment of 2017 also suggested other improvements and was duly followed by the approval by the board of directors of the following action plan:

- committees: to clarify the missions of the committees and convert the Strategy committee into an Investment committee;
- new directors: to formalize a complete on-boarding program;
- executive sessions: to open an executive session systematically at the end of each board meeting;
- succession plan: to add on the agenda of executive sessions the question of the succession plan twice or three times a year;
- agenda: to extend meetings of the board to one full day;
- documentation: to provide an executive summary along with the complete presentation made available to the directors before the meeting.

## 2. Organizational and operating procedures of the board of directors

The internal regulations of the board of directors have been modified on February 14, 2018 to take into account the above listed proposals and the schedule of the board meetings for 2018 reviewed accordingly.

In 2018, in pursuance of the board decision of July 25, the annual self-assessment was carried out in the form of an anonymous on-line survey.

In comparison with 2017, the board members' opinion on the composition, the organization and functioning of the board remains extremely positive, with 73% of the board members believing that its functioning improved since the last assessment and none complaining that it deteriorated. The Action Plan adopted after the 2017 external assessment has been implemented and its positive effects were highlighted in the self-assessment, in particular:

- new committees in place and fully functional,
- executive sessions now scheduled at the end of each board meeting,
- on-boarding program strengthened.

The assessment of the individual contribution of new board members to the works of the board was deemed to be premature and that of the other directors was not subject to any change compared to the former self-assessment.

However, based on the comments and recommendations conveyed by the board members, taking also into account the progress report on some of the actions initiated after the external assessment conducted in 2017, the board of directors, upon recommendations by the Governance and remunerations committee, adopted on October 24, 2018 the following new action plan:

Action plan 2018	Succession planning	Engage in further discussion on succession planning of top management.
	Planning	Whenever necessary, discuss all the items on the agenda, extend the board meeting to one full day (in addition to committees' meetings).
	Agenda management	In 2019, devote an item to risks analysis and governance under the leadership of the Audit & risks committee.
		Dedicate more time to industry trends and key battles.
		Resume rotating regional reviews.
On-boarding program	Put at the board members' disposal training and update materials on Schneider's business and arrange for site visits, on an on-going basis.	

The approval of this action plan was followed by the corresponding amendment of the internal regulations of the board of directors on December 12, 2018.

### 3. Board activities

## 3. Board activities

The board of directors devoted most of its activities to the Company's corporate governance, strategy and its implementation, reviewing operations and the annual and interim financial statements, which it approved, and preparing the Annual Shareholders' Meeting.

### Attendance

The board held 9 meetings in 2018. The meetings lasted 5 hours on average with an average participation rate of directors of almost:



Nine directors have an attendance rate of **100%** and none have an attendance rate less than **83%** as shown in the chart hereafter summarizing the directors' individual attendance at board's meetings:

Director	Attendance rate
Mr. Jean-Pascal Tricoire – Chairman	100%
Mr. Léo Apotheker – Vice-Chairman independent lead director	100%
Ms. Betsy Atkins	89%
Ms. Cécile Cabanis	100%
Mr. Antoine Gosset-Grainville	100%
Mr. Fred Kindle	100%
Mr. Willy Kissling	100%
Ms. Linda Knoll	89%
Ms. Xiaoyun Ma	89%
Mr. Patrick Montier	100%
Ms. Fleur Pellerin <sup>1</sup>	83%
Mr. Anders Runevad <sup>1</sup>	100%
Mr. Gregory Spierkel	100%

1. Since April 24, 2018, term start date.

During their first year in office, new directors may face legitimate difficulties being available to attend the board meetings given that the schedule of board meetings was set before them joining the board.

All absences were valid and excused.

### 3. Board activities

#### 3.1: Corporate governance

The board of directors, depending on the subject, upon the report of the Governance and remunerations committee, the Human Resources and CSR committee or the Audit and risks committee:

- discussed the composition of its membership and that of its committees and the principle of balanced representation of men and women.
  - To this end, it pursued its efforts towards its "regeneration" which aims at rejuvenating its composition and strengthening knowledge of the Group's key markets, and proposed to the Annual Shareholders' Meeting to vote in favor of Ms. Fleur Pellerin and Mr. Anders Runevad as director as well as in favor of the renewal of Ms. Linda Knoll's and Mr. Willy Kissling's terms as directors.
  - In addition, the board of directors also appointed on October 24, 2018 Mr. Lip-Bu Tan as a non-voting member.
  - The board of directors also deliberated on the composition of its committees. In this respect, it appointed on April 24, 2018, Mr. Willy Kissling and Ms. Fleur Pellerin as members of the Audit and risks committee, Mr. Fred Kindle as a member of the Governance and remunerations committee, Ms. Fleur Pellerin as a member of the Human Resources and CSR committee, Mr. Fred Kindle as Chairperson of the Investment committee, Ms. Betsy Atkins, Ms. Xiaoyun Ma, Mr. Patrick Montier, Mr. Anders Runevad and Mr. Greg Spierkel as members of the Investment committee, Mr. Greg Spierkel as Chairperson of the Digital committee, Mr. Léo Apotheker, Ms. Betsy Atkins and Ms. Fleur Pellerin as members of the Digital committee.
  - Mr. Lip-Bu Tan was appointed on October 24, 2018 and joined the Investment committee and the Digital committee as a member.
- discussed whether to maintain the unification of the functions of Chairman and CEO (see above page 222);
- examined the succession plan for corporate officers at one of its "executive sessions";
- deliberated, at its meeting of October 24, 2018, on its self-assessment and approved an action plan;
- discussed and reviewed the principles and criteria relating to the compensation of the corporate officers and approved the compensation and benefits of all types that may be or have been granted;
- was informed of the meetings with major shareholders conducted by the Vice-Chairman independent lead director on governance topics;
- took note, upon the report of the Governance and remunerations committee, of the results of the Annual Shareholders' Meeting, analyzed the dissenting minority grounds and implemented relevant corrective actions (see page 245);
- was informed of the review of changes in the compensation of members of the Executive Committee;
- was informed of the works done by the Human Resources and CSR committee on the succession plan for members of the Executive Committee;
- decided on the implementation of the 2018 long-term incentive plan. It accordingly reviewed the performance conditions (see pages 254-256), drew up a list of beneficiaries (which includes corporate officers) and set the terms of individual awards;
- checked and recorded the calculation of the level of achievement of performance conditions applicable to Performance Share plans 25, 26, 27, 28, 29 and 29 bis;
- decided on capital increases reserved for employees (see page 363);
- approved the corporate governance report as provided for in Article L.225-37 of the French Commercial Code;
- approved the management report as provided for in Article L.225-100 of the French Commercial Code;
- examined the regulated agreements and commitments and reviewed those related to the status of its Chairman and CEO and its Deputy CEO;
- adopted the consolidated status of its Chairman and CEO and its Deputy CEO;
- was informed on legal and regulatory updates (PACTE draft law, new AFEF/MEDEF corporate governance Code, Law for the freedom to choose one's professional future).

Since 2018, in application of the provisions of Article 1.C.3 of the internal regulations as amended in February 2018 to take into account the proposals of the action plan adopted by the board of directors following its external assessment conducted in 2017, the Vice-Chairman convenes executive sessions of the board of directors (without the Corporate Officers) at the end of each board meeting.

In 2018, the board of directors held 4 "executive sessions", vs. 3 in 2017, during which the members of the board of directors discussed the strategic options, the corporate officers' compensation, and more specifically the long-term incentive plan, and reviewed the succession planning for Corporate Officers.

In addition, when the board debated and determined the compensation of the Chairman and CEO and the Deputy CEO, the interested parties were not present.

#### Succession planning

The succession planning of the Corporate Officers and the top management is examined thoroughly by the board every year.

The succession planning is the result of a two-stage process that is followed at the end of each year:

- the Human Resources & CSR committee reviews by name the list of talents who could be considered for potential succession to the top management, studies the profiles of the new-comers and the assessment of every individual's performance, ascertains the quality and the diversity of the selected pool and reports to the board thereon;
- the Chairman and CEO presents to the Governance and remunerations committee the various internal options to address immediate, short term and long term needs, both for him and for the Deputy CEO, with their respective pros and cons; the matter is then brought forward for discussion at the next executive session (held without the presence of the Corporate Officers). As need be, it may be reviewed in the course of the year at another executive session.

### 3.2: Strategy

The board of directors conducted a thorough review of the Group strategy, as every year, as part of a meeting of several days named “Strategy Session” specifically dedicated to the topic.

During this Strategy Session held in the West Coast of the United States of America in August 2018, the directors visited several sites representative of the digital transformation and talked with major players in this field. Members of the board of directors were also able to share individually and for a long time with each Executive Committee member and a certain number of Business managers, functional and operational managers representing all activities and geographies of the Group.

Concerning the recurrent activity of the Investment committee, the board of directors examined and approved the growth strategy plan proposed by the Senior management. Moreover, it heard reports from the Chairman of the Investment committee on the works of this committee and was informed about moves and changes concerning competitors of Schneider Electric.

### 3.3: Activities and results

The board was informed of the Group's 2018 objectives.

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

On February 14, 2018, the board of directors reviewed and approved the 2017 financial statements based on the Audit and risks 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 EUR2.20 per share. Similarly, on July 25, 2018, it reviewed and approved the financial statements for the first half of 2018.

In 2018, several meetings were dedicated to the follow-up of the acquisitions carried out in 2017 (AVEVA) and to the on-going acquisition of Larsen & Toubro's Electrical & Automation business.

Based on the Audit and risks committee's report, the board of directors was informed about the changes in risk mapping and also on the works of the Group's internal audit and internal control teams. The Audit and risks committee also reported to the board on its other duties, which were also a topic for discussion, in relation to risk management monitoring (coverage of risks by insurance, supplier risks).

It reviewed the conclusions reached by the Audit and risks committee on its analysis carried out particularly in relation to:

- the impact of the tax rate reform in the US;
- the Supply Chain ability to sustain the growth of the markets in 2018;
- the evolution of the “Compliance” function and review of the summary report on fraud cases;
- the update on the strategy for acquiring “critical” skills and on the risk-reduction measures identified in the risk matrix;
- the update on Cyber-Security and on the situation concerning Group software tools (ERP – “Enterprise Resource Planning”);
- the investigations (see page 77);
- the Energy Rebound 2 initiative status;
- the review of compliance status with the Global Data Protection Regulation (post May 2018 enforcement).

The board of directors also monitored the implementation of the share buyback and reviewed the debt situation.

### 3.4: Annual Shareholders' Meeting

The board approved the agenda and draft resolutions of the 2018 Annual Shareholders' Meeting, and its report to the shareholders at the meeting. It took note of the proxy-advisors' reports. It was informed of the positions expressed by the shareholders met during the preparation of the Annual Shareholders' Meeting. It approved the responses to the written questions.

Almost all directors were present at the meeting (11/13). It approved all resolutions supported by the management, including those relating to the composition of the board of directors, the compensation of the corporate officers and the renewal of financial authorizations.

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

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

In its internal regulations, the board defined the functions, missions and resources of its 5 study committees: the Audit and risks committee, the Governance and remunerations committee, the Human Resources and CSR committee, the Investment committee and the Digital committee.

Committee members are appointed by the board of directors on the proposal of the Governance and remunerations committee. Committees may open their meetings to the other board members.

The Vice-Chairman independent lead director may attend any meetings of committees of which he is not a member. The committees may commission researches from external consultants after having consulted with the Chairman of the board of directors. They may invite anybody they wish to meetings, as necessary. Secretaries of the board committees organize and prepare the work of the committees. They draft the minutes for the meetings of the committees which, after their approval, are sent to all members of the board of directors. The secretaries of the committees are members of Group management teams and specialists in the subjects matters of each committee.

### 4.1: Audit and risks committee

The members, operating procedures and responsibilities of the Audit and risks committee are compliant with the recommendations included in the Audit committee final report as updated by the AMF in July 2010.

#### Composition as of December 31, 2018

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.

Chairperson	Cécile Cabanis	Independent director – Chief financial officer, IS/IT, Cycles and Purchases at Danone
Member	Antoine Gosset-Grainville	Independent director
Member	Fred Kindle	Independent director
Member since April 24, 2018	Willy Kissling	Director
Member since April 24, 2018	Fleur Pellerin	Independent director
		<b>80% of independent directors</b>

As demonstrated by their career records, summarized on page 211 *et seq.* the Audit and risks committee members all have recognized expertise in finance, economics and accounting. In addition to their in-depth financial and accounting knowledge, Ms. Cécile Cabanis also brings her extensive perfect knowledge of the challenges of a major French group in the CAC 40, Mr. Antoine Gosset-Grainville his knowledge of macro economy and legal expertise, Mr. Fred Kindle an in-depth knowledge of the market and sectors in which Schneider Electric operates, Mr. Kissling his knowledge of the building industry and Schneider Electric and Ms. Pellerin her economic and financial skills in the field of technologies.

#### Operating procedures

The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO. At least 5 meetings are held during the year. The committee may invite any person it wishes to hear to its meetings. The statutory auditors attend meetings at which financial statements are reviewed and, depending on the agenda, all or some of the other meetings. It may also require the CEO to provide any documents it deems to be useful. It may also commission studies from external consultants.

The Deputy CEO in charge of Finance and Legal Affairs is the spokesperson for the Audit and risks committee.

The director of internal 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, extra-financial, accounting and risk management issues. Accordingly, its missions are as follows:

Item	Detail of missions
Preparation for the annual and interim financial statements to be approved by the board	<ul style="list-style-type: none"> <li>To check the appropriateness and consistency of the accounting methods used for drawing up consolidated and corporate accounts, as well as to check that significant operations on Group level have been dealt with appropriately and that rules relating to the scope of consolidation have been complied with</li> <li>To analyze the scope of consolidation, risks and off-balance sheet commitments as well as the financial position and the cash position</li> <li>To examine the process for drawing up financial and extra-financial information</li> <li>To review the draft annual report, which is also the registration document, and to take note of information relating to internal control and risk management processes put in place by the Company in connection with accounting, financial and extra-financial information drawing-up and processing and, if any, any comments by the AMF in this regard, as well as of the reports on the interim financial statements and other main financial documents</li> </ul>
Issues related to statutory auditors	<ul style="list-style-type: none"> <li>To make recommendations concerning the appointment or reappointment of the statutory auditors</li> <li>To handle 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</li> <li>To verify the auditors' independence, in particular by reviewing fees paid by the Group to their firm and network and by giving prior approval for assignments that are not strictly included in the scope of the statutory audit</li> </ul>
Following-up of the efficiency of internal control and risk management systems	<ul style="list-style-type: none"> <li>To examine the organization and resources used for internal audit, as well as its annual work program; to receive a quarterly summary report on the findings of the audits carried out</li> <li>To review operational risks mapping and its year-on-year evolution; to ensure procedures are implemented to prevent and reduce them</li> <li>To review risk mitigation and coverage optimization</li> <li>To review the rollout of the Group's internal control system and to acknowledge the outcome of entities' self-assessment regarding internal control; to ensure that procedures are implemented to identify and handle anomalies</li> <li>To ascertain the existence of Group compliance policies notably concerning competition, anti-bribery, ethics and data protection and the measures implemented to ensure that these policies are circulated and applied</li> <li>To examine all financial, accounting and extra-financial questions and questions related to risk-management, including those of a social and environmental nature, submitted to it by the board of directors</li> </ul>
Reports to the board of directors	<ul style="list-style-type: none"> <li>To present its findings and recommendations to the board. The Chairman of the Audit and risks committee keeps the Chairman and the Vice-Chairman independent lead director promptly informed of any difficulties encountered</li> </ul>

## Activities in 2018



\* including the joint meeting with the Digital committee relating to cybersecurity risk review.

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

Individual attendance rates at the Audit and risks committee's meetings were as follows:

Director	Attendance rate
Ms. Cécile Cabanis – Chairperson	100%
Mr. Antoine Gosset-Grainville	100%
Mr. Fred Kindle	100%
Mr. Willy Kissling <sup>(1)</sup>	100%
Ms. Fleur Pellerin <sup>(1)</sup>	100%

(1) Since April 24, 2018, date of appointment to the Audit and risks committee.

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 corporate governance Code, the Chairman and CEO does not attend the committee's meetings.

The topics discussed by the committee were as follows:

Financial statement and financial disclosures	<ul style="list-style-type: none"> <li>• Review of the annual and interim financial statements and of the reports on the financial statements</li> <li>• Review of goodwill, the Group's tax position, provisions and pension obligations or similar obligations</li> <li>• Review of investor relations' documents concerning the annual and interim financial statements</li> <li>• Review of the Group's scope of consolidation</li> <li>• Review of pension commitments</li> </ul>
Internal audit, internal control and risk management	<ul style="list-style-type: none"> <li>• Review of the risk mapping</li> <li>• Review of the 2019 Internal Audit schedule</li> <li>• Review of the main internal audits performed between September and December 2017, during the first semester and Q3 2018</li> <li>• Review of risks covered by insurance</li> <li>• Impact of the tax rate reform in the US</li> <li>• Update on the Group "Compliance System" and review of the summary report on frauds</li> <li>• Update on the competences acquisition strategy and risks mitigation plan</li> <li>• Cybersecurity and ERP (jointly with the Digital committee)</li> <li>• Update on the investigations (see. page 77)</li> <li>• Review of the management report</li> </ul>
Statutory Auditors	<ul style="list-style-type: none"> <li>• Review of the fees paid to the statutory auditors and to their networks</li> <li>• Review of the external audit plan</li> </ul>
Corporate governance	<ul style="list-style-type: none"> <li>• Recommended dividend for 2018</li> <li>• Review of the financial authorizations, whose renewal was approved by the Annual Shareholders' Meeting of April 24, 2018</li> </ul>

The committee reported on its work in 2018 to the board's meetings of February 14, July 25, October 24, and December 12, 2018.

### 4.2: Governance and remunerations committee

#### Composition as of December 31, 2018

The board of directors' internal regulations and procedures provide that the Governance and remunerations committee must have at least 3 members. It is chaired by the Vice-Chairman independent lead director.

Chairperson	Léo Apothéker	Vice-Chairman independent lead director
Member since April 24, 2018	Fred Kindle	Independent director
Member	Willy Kissling	Director
Member	Linda Knoll	Independent director
Member	Greg Spierkel	Independent director
		<b>80% of independent directors</b>

### 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 secretary of the committee.

### Responsibilities

Item	Detail of missions
Appointments	<ul style="list-style-type: none"> <li>To formulate proposals to the board of directors in view of any appointment made:               <ol style="list-style-type: none"> <li>within the board of directors as:                   <ul style="list-style-type: none"> <li>director or non-voting member,</li> <li>Chairman of the board of directors, Vice-Chairman, or Vice-Chairman independent lead director,</li> <li>Chairperson or committee member;</li> </ul> </li> <li>at the Company's Senior Management; particularly, to advise the board on proposals for the appointment of any Deputy Chief Executive Officer</li> </ol> </li> </ul>
Compensation of corporate officers	<ul style="list-style-type: none"> <li>To develop 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</li> <li>To prepare annual assessments of the persons concerned</li> </ul>
Missions aiming at reassuring both shareholders and the market that the board of directors carries out its duties with all necessary independence and objectivity	<ul style="list-style-type: none"> <li>To organize for yearly assessments to be made of the board of directors</li> <li>To make proposals to the board of directors on:               <ul style="list-style-type: none"> <li>determining and reviewing directors' independence criteria and directors' qualifications with regard to these criteria</li> <li>missions carried out by the committees of the board of directors</li> <li>the evolution of the organization and mode of operation of the board of directors</li> <li>the application by the Company of national and international corporate governance practices</li> <li>the total value of attendance fees proposed to the Annual Shareholders' Meetings together with their allocation between the members of the board</li> <li>the compensation of the Vice-Chairman independent lead director</li> </ul> </li> </ul>

### Activities in 2018



\* including the two joint meetings with the Human Resources and CSR committee relating to the annual incentive and long-term incentive plan of the corporate officers.

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

Individual attendance rates at the Governance and remunerations committee's meetings were as follows:

Director	Attendance rate
M. Léo Apotheker – Chairperson	100%
M. Fred Kindle <sup>(1)</sup>	100%
M. Willy Kissling	100%
Mme Linda Knoll	100%
M. Gregory Spierkel	100%

(1) Since April 24, 2018, date of appointment to the Governance and remunerations committee.

The topics discussed by the committee were as follows:

Proposals to the board of directors	<ul style="list-style-type: none"> <li>• Composition of the board of directors and its committees</li> <li>• Status of the members of the board with regard to independence criteria</li> <li>• Mode of exercising the functions of Chairman and CEO</li> <li>• Compensation of corporate officers (amount and structure of 2018 compensation, 2017 objectives and level of achievement of 2017 objectives) and allocation to them of performance shares as part of the long-term incentive plan</li> <li>• Definition of the criteria for short term (STIP) and long term (LTIP) compensation of corporate officers (jointly with the Human Resources and CSR committee)</li> <li>• Presentation of "Say on Pay" 2017 and the principles and criteria of compensation of corporate officers for 2018 to the Annual Shareholders' Meeting</li> <li>• Renewal of the corporate officers' status</li> <li>• Training program of the director representing the employees for 2019</li> <li>• Amendment of the internal regulations of the board of directors</li> </ul>
Reports to the board of directors	<ul style="list-style-type: none"> <li>• Review of the succession plan for the corporate officers</li> <li>• Draft corporate governance report of the board of directors</li> </ul>
Self-assessment of the board of director	<ul style="list-style-type: none"> <li>• Leading of the self-assessment of the board of directors conducted internally on the basis of an anonymous on-line questionnaire</li> <li>• Identification of improvement areas and definition of an action plan to be approved by the board</li> </ul>
Shareholder engagement	<ul style="list-style-type: none"> <li>• Reporting on the Vice-Chairman independent lead director's meetings with governance analysts within the main shareholders: 29 physical or phone appointments were held, covering about 36% of the share capital. These meetings reflect the importance given by the Company to dialogue and the direct commitment of directors towards shareholders (see the report of the Vice-Chairman independent lead director page 396).</li> </ul>

The committee reported on its work at the board's meetings of February 14, April 24, July 25, October 24 and December 12, 2018.

### 4.3: Human Resources and CSR committee

#### Composition as of December 31, 2018

The internal regulations and procedures of the board of directors stipulate that the Human Resources and CSR committee must have at least 3 members.

Chairperson	Linda Knoll	Independent director
Member	Willy Kissling	Director
Member	Xiaoyun Ma	Employee director
Member since April 24, 2018	Fleur Pellerin	Independent director
		<b>67% of independent directors*</b>

\* Employee director excluded as prescribed by the AFEP/MEDEF corporate governance Code.

Ms. Cathy Kopp's and Mr. Henri Lachmann's terms of office expired on April 24, 2018.

### Operating procedures

The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO. The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO. The committee shall meet at least 3 times a year.

The committee may seek advice from any person it feels will help it with its work.

The Group Human Resources Director, Mr. Olivier Blum is the secretary of the committee.

### Responsibilities

Item	Detail of missions
Stock purchase or subscription options plans	<ul style="list-style-type: none"> <li>To develop 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, including executive corporate officers</li> </ul>
Compensation of Group managers	<ul style="list-style-type: none"> <li>To formulate projects on proposals made by general management on:               <ul style="list-style-type: none"> <li>– compensation for members of the Executive Committee</li> <li>– principles and conditions for determining the compensation of Group executives</li> </ul> </li> </ul>
Succession plan for key Group executives	<ul style="list-style-type: none"> <li>To examine succession plans for key Group executives</li> </ul> <p>The committee shall be informed of any nomination of members of the Executive Committee and of main Group executives</p>
Human Resources and CSR policy	<ul style="list-style-type: none"> <li>To prepare for the board of directors' deliberations on:               <ol style="list-style-type: none"> <li>employee shareholder development</li> <li>reviews made by the board on social and financial impacts of major re-organization projects and major Human Resources policies</li> <li>monitoring management of risks related to Human Resources</li> <li>examining the different aspects of the Group's CSR policy, including the policy on the equal treatment of men and women</li> </ol> </li> </ul>

### Activities in 2018



\* including the two joint meetings with the Governance and remunerations committee relating to the annual incentive and long-term incentive plan of the corporate officers.

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

Individual attendance rates at the Human Resources and CSR committee's meetings were as follows:

Director	Attendance rate
Ms. Linda Knoll – Chairperson	100%
Mr. Willy Kissling	100%
Ms. Xiaoyun Ma	80%
Ms. Fleur Pellerin <sup>(1)</sup>	100%

(1) Since April 24, 2018, date of appointment to the Human Resources and CSR committee.

The topics discussed by the committee were as follows:

Proposals to the board of directors	<ul style="list-style-type: none"> <li>• 2018 annual long-term incentive plan and implementation of an annual performance share plan for newcomers</li> <li>• Definition of the criteria for short term (STIP) and long term (LTIP) compensation of corporate officers (jointly with the Governance and remunerations committee)</li> <li>• Launch in 2019 of a new Group employee share issue (Wesop 2019)</li> </ul>
Reports to the board of directors	<ul style="list-style-type: none"> <li>• Review of the compensation, performance and succession plans of Executive Committee members</li> <li>• 2019 long term incentive plan</li> <li>• Review of Equal Opportunity, Gender Pay Equity and Diversity &amp; Inclusion policy</li> <li>• CSR performance</li> </ul>

It reported on its work to the board's meetings of February 14, October 24 and December 12, 2018.

#### 4.4: Investment committee

The board of directors amended its internal regulations on February 14, 2018 to transform the Strategy committee into Investment committee, a modification implemented further to the action plan adopted by the board of directors following its external assessment carried out in 2017.

##### Composition as of December 31, 2018

The internal regulations and procedures of the board of directors provide that the Investment committee must have at least 3 members.

Chairperson since April 24, 2018	Fred Kindle	Independent director
Member	Betsy Atkins	Independent director
Member since April 24, 2018	Xiaoyun Ma	Employee director
Member	Patrick Montier	Employee director
Member since April 24, 2018	Anders Runevad	Independent director
Member	Greg Spierkel	Independent director
Member since April 24, 2018	Lip-Bu Tan	Non-voting member
		<b>100% of independent directors*</b>

\* Director representing employee shareholders and director representing employees excluded as prescribed by the AFEP/MEDEF corporate governance Code.

On April 24, 2018, Mr. Xavier Fontanet's term of office expired and Mr. Léo Apotheker left the Investment committee to join the Digital committee.

### Operating procedures

The committee meets at the initiative of its Chairman or at the request of the Chairman and CEO. The agenda is drawn up by the Chairman, after consulting with the Chairman and CEO. The committee shall meet at least 3 times a year.

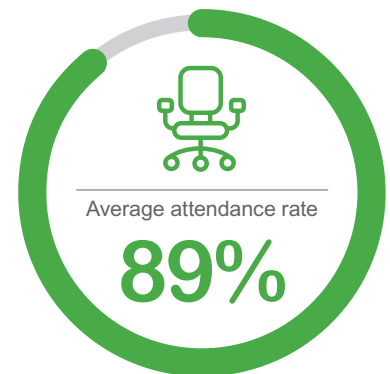
In order to carry out its assignments, the committee may hear any person it wishes and call upon the Strategy Director.

The Strategy Director, Mr. Emmanuel Jean Lagarrigue, is the secretary of the committee.

### Responsibilities

Item	Detail of missions
Preparation of the board of directors' deliberations on investment policy	<p>The committee:</p> <ul style="list-style-type: none"> <li>• Elaborates recommendations for the board on major capital deployment decisions</li> <li>• Advises the management team on capital deployment strategies</li> <li>• Launches, at the board's request, or suggest research projects leading to material investments for the Company, typically for capital deployment decisions of €250million or above</li> <li>• Investigates matters of smaller scale, if the strategic significance warrants it or the board/chairman of the board specifically requires it</li> <li>• Provides recommendations on major merger, alliances and acquisition projects</li> <li>• Pays special attention to reconfiguration or consolidation scenarios happening in the sectors the Company is operating in or likely to operate in</li> <li>• Examines portfolio optimizations and divestment projects of financial or strategic significance</li> <li>• Supports the management in the elaboration of investment policies linked to the long-term positioning of Schneider Electric, such as innovation and R&amp;D strategies or any major organic growth investments</li> <li>• Presents to the board social and environmental aspects of the strategic projects submitted to it such as M&amp;A projects</li> </ul>

### Activities in 2018



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

Individual attendance rates at the Investment committee's meetings were as follows:

Director	Attendance rate
Mr. Fred Kindle – Chairperson	100%
Ms. Betsy Atkins	33%
Ms. Xiaoyun Ma <sup>(1)</sup>	100%
Mr. Patrick Montier	100%
Mr. Anders Runevad	100%
Mr. Gregory Spierkel	100%
Mr. Lip-Bu Tan <sup>(2)</sup>	100%

(1) Since April 24, 2018, date of appointment to the Investment committee.

(2) Since October 24, 2018, date of appointment.

The topics discussed by the committee were as follows:

Proposals to the board of directors	<ul style="list-style-type: none"> <li>• Follow-up of investment projects</li> <li>• Approval of the Investment committee charter</li> <li>• Update on industry reconfiguration</li> <li>• Portfolio review</li> </ul>
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It reported on its work to the board's meetings of July 25 and October 24, December 12, 2018 and during the Strategy Session.

#### 4.5: Digital committee

The Digital committee was set up on August 31, 2017 by decision of the board of directors which designated its members on April 24, 2018.

##### Composition as of December 31, 2018

The internal regulations and procedures of the board of directors provide that the Digital committee must have at least 3 members.

Chairperson since April 24, 2018	Greg Spierkel	Independent director
Member since April 24, 2018	Léo Apotheker	Vice-Chairman independent lead director
Member since April 24, 2018	Betsy Atkins	Independent director
Member since April 24, 2018	Fleur Pellerin	Independent director
Member since April 24, 2018	Lip-Bu Tan	Non-voting member
		<b>100% of independent director</b>



### 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, including the joint review of cybersecurity risks with the Audit and risks committee.

In order to carry out its assignments, the committee may hear any person it wishes.

The Chief Digital Officer or Chief Information Officer, M. Hervé Coureil, is the secretary of the committee.

### Responsibilities

The purpose of the Digital committee is to assist the board in digital matters in order to guide, support and control the Group in its digitization efforts. The Digital committee prepares the board of directors' deliberations on digital matters.

For this purpose, the Digital Committee will review, appraise and follow-up projects and, generally, advise, inter alia on 7 areas:

1. Development and growth of the EcoStruxure digital business
2. Improvement and transformation of the Group's digital experience
3. Improvement of Schneider Electric's Operational Efficiency through the effective use of Information Technology and digital automation capabilities
4. Assessment of Cyber Risks (jointly with the audit committee)
5. Assessment of the contribution of potential M&A operations to the Group's Digital strategy
6. Monitoring and analysis of the Digital landscape
7. Checking that the Company is equipped with the right pool of talents for digital transformation

### Activities in 2018



\* including the joint meeting with the Audit and risks committee relating to cybersecurity risk review.

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

Individual attendance rates at the Digital committee's meetings were as follows:

Director	Attendance rate
Mr. Greg Spierkel – Chairperson	100%
Mr. Léo Apotheker	75%
Ms. Betsy Atkins	75%
Ms. Fleur Pellerin	100%
Mr. Lip-Bu Tan <sup>(1)</sup>	100%

(1) Since October 24, 2018, date of appointment.

The topics discussed by the committee were as follows:

Proposals to the board of directors	<ul style="list-style-type: none"><li>• Overview of the Digital Journey</li><li>• Deep dive on (i) Digital Offers and (ii) Digital Metrics</li><li>• Joint review with the Audit and risks committee of the cybersecurity risks</li><li>• Digital operating model</li><li>• Digital monetization</li></ul>
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It reported on its work to the board's meetings of July 25, October 24 and December 12, 2018.

## 5. Senior management

# 5. Senior management

The Senior Management of Schneider Electric SE consists of the Chairman and Chief Executive Officer and a Deputy Chief Executive Officer. The operational organization of the Senior Management of the Group is supported by the Executive Committee, which is chaired by the Chairman and Chief Executive Officer.

### The Chairman and Chief Executive Officer

On April 25, 2017, on the occasion of the reelection of Mr. Jean-Pascal Tricoire as a director by the Annual Shareholders' Meeting, the board of directors decided to unify the functions of Chairman and Chief Executive Officer, for the reasons explained on page 222 and to appoint Jean-Pascal Tricoire as Chairman and Chief Executive Officer. As per its internal regulations, the board of directors shall deliberate annually on this choice.

#### Extent and limitations of the powers of the Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer represents the Company in its dealings with third parties. He is vested with the broadest authority to act in any and all circumstances in the name and on behalf of the Company. He exercises this authority within the limits of the corporate purpose, except for those matters that are reserved by law expressly to the Shareholders' Meetings or the board of directors. In addition, the internal regulations of the board of directors provide that the Chairman and Chief Executive Officer must submit for approval to the board any acquisition transactions or disposal of assets amounting to more than EUR250 million as well as any strategic partnership agreement.

### The Deputy Chief Executive Officer

On April 25, 2017, upon the proposal of Mr. Jean-Pascal Tricoire, the board of directors appointed Emmanuel Babeau as Deputy CEO in charge of Finance and Legal Affairs.

#### Emmanuel Babeau

Age: 51 years

Nationality: French

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

34,508<sup>(1)</sup> Schneider Electric SE shares

<b>Experience and qualifications</b>	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, Corporate Treasury Center and Consolidation in 1996. Mr. Babeau subsequently held several executive positions at Pernod Ricard, notably outside France, before becoming Vice-President, Development in 2001, CFO in June 2003 and Group Deputy Managing Director in charge of Finance in 2006. He joined Schneider Electric in the first half of 2009. In 2013, he was appointed Deputy CEO in charge of Finance and Legal Affairs then re-elected on April 25, 2017.
<b>Term of office</b>	First appointed: 2013
<b>Current directorship</b>	Deputy Chief Executive Officer of <b>Schneider Electric SE</b> .
<b>Current external appointments</b>	<p><b>Other directorships or functions within Schneider Electric Group:</b> Vice-Chairman and non-executive director of <b>Aveva Group plc</b>. (United Kingdom), Director of Schneider Electric Industries SAS (France), AO Schneider Electric (Russia), Schneider Electric USA, Inc. (USA), Schneider Electric (China) Co. Ltd (China), Samos Acquisition Company Ltd (United Kingdom), Schneider Electric Holdings Inc. (USA), Carros Sensors Topco Ltd. (formerly named Innovista Sensors Topco Ltd) (United Kingdom), Member of the supervisory board of Aster Capital Partners SAS (France), Representative of Schneider Electric Industries SAS at the supervisory board of Schneider Electric Energy Access (France).</p> <p><b>Other directorships or functions outside Schneider Electric Group:</b> Director of <b>Sanofi</b> (France), <b>Sodexo</b> (France), Shareholder and manager of SCI GETIJ.</p>
<b>Previous directorship</b>	<p><b>Previous directorships and functions held in the past 5 years:</b> Member of the management board of <b>Schneider Electric SA</b>, Director of Invenys Ltd. (United Kingdom), Telvent GIT SA (Spain), Chairman and member of the management board of Schneider Electric Services International Spri, Member of the steering committee of Aster Capital Partners SAS (France), Member of the supervisory board of InnoVista Sensors SAS (France).</p>

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

<sup>(1)</sup> Held directly or through the FCPE.

## 6. Declarations concerning the situation of the members of the administrative, supervisory or management bodies

# 6. Declarations concerning the situation of the members of the administrative, supervisory or management bodies

The members of the board of directors directly hold 0.12% of the share capital and 0.16% of the voting rights as of December 31, 2018.

Mr. 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 latter two functions.

Mr. Emmanuel Babeau is Vice-Chairman of Aveva Group plc., a position for which he does not receive compensation.

Ms. Xiaoyun Ma has an employment contract with Schneider Electric (China) Co., Ltd.

Mr. Patrick Montier has an employment contract with Schneider Electric France.

### 6.1: Service contracts

None of the directors has a service contract with the Company or any of its subsidiaries providing for benefits under such contract.

### 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 365 *et seq.*) for corporate officers and a minimum 1,000 shareholding requirement for directors.

## 7. Interests and compensation of Group Senior Management

# 7. Interests and compensation of Group Senior Management

### In this section

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## 7. Interests and compensation of Group Senior Management

### 7.1: Overview

#### Pillars of Executive compensation

Schneider Electric (“Schneider Electric” or “Group”) believes in rewarding all employees, including the Corporate Officers, for delivering strong performance, building shareholder value and helping the Group achieve its corporate goals.

With this in mind, the Governance and remunerations committee (the “Committee”) follows a rigorous process when preparing executive compensation decisions. This process is underpinned by 3 pillars, translated into 7 principles:

Pay for performance	Alignment with shareholders’ interests	Competitiveness
<p><b>Principles</b></p> <ol style="list-style-type: none"> <li><b>1</b> Prevalence of variable components: circa 80% for CEO and 75% for Deputy CEO (at target).</li> <li><b>2</b> Performance is evaluated via economic and measurable criteria.</li> <li><b>3</b> Financial and Sustainability objectives are fairly balanced and distributed between short-term (annual incentive) and medium-term (long-term incentive) components.</li> </ol> <p style="text-align: right; background-color: #4caf50; color: white; padding: 2px;"><a href="#">Read more on page 249 →</a></p>	<p><b>Principles</b></p> <ol style="list-style-type: none"> <li><b>4</b> Significant proportion of the total compensation delivered in shares.</li> <li><b>5</b> Performance conditions support Schneider Electric’s strategic priorities and are aligned with shareholders expectations.</li> </ol> <p style="text-align: right; background-color: #4caf50; color: white; padding: 2px;"><a href="#">Read more on page 249 →</a></p>	<p><b>Principles</b></p> <ol style="list-style-type: none"> <li><b>6</b> To benchmark the Corporate Officers’ compensation package “at target” in the median range of the Company’s updated peer group.</li> <li><b>7</b> To reference the CAC40 3<sup>rd</sup> quartile and the Stoxx Europe 50 median.</li> </ol> <p style="text-align: right; background-color: #4caf50; color: white; padding: 2px;"><a href="#">Read more on page 250 →</a></p>

In line with these pillars and principles, the Committee applies the following approach in preparing executive compensation decisions:

What Schneider Electric does	What Schneider Electric doesn’t do	In preparing the decisions the Committee considers
<ul style="list-style-type: none"> <li>✓ Link Corporate Officers’ pay to performance through short- and long-term variable pay</li> <li>✓ Base variable pay on primarily economic performance criteria that connect to the execution of Schneider Electric’s Strategic Plan</li> <li>✓ Implement a robust shareholder engagement process</li> <li>✓ Ensure the independence of Committee members and the advisors who may report to them</li> <li>✓ Cap long-term incentive awards in terms of number of shares granted</li> <li>✓ Provide a cash-based pension benefit that is linked to performance</li> <li>✓ Require Corporate Officers to comply with stock ownership guidelines</li> <li>✓ For 2019, 100% of the performance criteria are measurable and audited</li> </ul>	<ul style="list-style-type: none"> <li>✗ No rewards for Corporate Officers without a link to performance</li> <li>✗ No excessive benefits in kind</li> <li>✗ No discretionary or “one off” payments to Corporate Officers</li> <li>✗ No defined-benefit “top hat” pension scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Executive compensation pillars;</li> <li>• Group financial performance;</li> <li>• Shareholders’ views;</li> <li>• Corporate Officers’ performance relative to business objectives and business environment;</li> <li>• Corporate Officers’ roles and responsibilities;</li> <li>• Input from external advisors (to ensure executive pay is competitive and appropriate) on a regular basis;</li> <li>• Emerging best practices in executive compensation and governance;</li> <li>• Internal and external acceptance considerations;</li> <li>• Consistency of the Corporate Officers’ incentives structure with other executives and managers of the Group.</li> </ul>

## 2018 Shareholder engagement

After a thorough review and extensive shareholder engagement, the board believes the new policy is more readable, promotes a stronger alignment between pay and performance and has strategic focus.

Schneider Electric is committed to the interests of its shareholders and the delivery of shareholder value. As part of this commitment, it is important to maintain ongoing dialogue with shareholders to solicit and respond to feedback about executive compensation programs and decisions. Prior to the 2018 Annual Shareholders' Meeting and in the further course of the year, the Vice-Chairman independent lead director, who is also the Chair of the Governance and remunerations committee, spoke with the Group's major shareholders and their representative bodies at investor roadshows and during broader dialogues on matters pertaining to governance (see Vice-Chairman's report page 396).

Prior to the 2018 Shareholders Meeting, this dialog helped the Board to understand shareholders' expectations regarding the Corporate Officers' compensation policy and clarify the governance and methodology applied by the Board when deciding on executive compensation.

Last year's drop in the support from the shareholders of the Corporate Officers' compensation policy led the board to analyze the reasons behind this drop. After thorough analyses of the votes and constructive interviews with shareholders representing a broad range of opinions on what is a fair compensation for a Corporate Officer, it was found out that while the shareholders were supportive of the pillars, the principles, the compensation structure and the transparency of the policy, some investors had reservations with the raise in the base salaries proposed – and approved – in 2018, or were looking for a stronger link between performance measures selected and targets set under our incentive schemes and Schneider's strategy.

The board listened and sought to respond to their concerns: taking this feedback into consideration, the board decided to tighten the approach to performance assessment, to apply board's overriding judgment over formulaic outcome if appropriate, and to review the performance criteria determining the variable portion (i.e. 75% to 80% of the compensation at target) in a way that would reflect even better the Group's strategy and performance. In the second half of 2018, the board continued the dialogue with its major shareholders and representative bodies to shape the final proposals on the 2019 compensation policy and future long-term incentive plans, which are detailed further in this report. Shareholders have been supportive towards overall proposed approach.

In particular, high level of support was received for Schneider Electric's proposals to the following shareholder concerns:

Concerns raised				Clearer link between compensation and performance required	Stronger alignment with shareholders' experience through TSR exposure
<p><b>Concerns raised</b></p> <p>Too many performance criteria overlapping between Annual and Long-term Incentives</p>	<p><b>How Schneider Electric responded</b></p> <p>Simplified the future incentive plans by reducing the number of performance criteria to 4 in Annual Incentive and 3 in LTIP, and eliminating overlap between them</p>	<p>Introduced new, externally focused, sustainability criteria in future Long-term Incentive Plans</p>	<p>Introduced EPS as new financial performance criterion in future Long-term Incentive Plans</p>	<p>Reinforced the rigor around target setting process – maximum incentive will only be paid for delivering exceptional performance</p>	<p>Increased weight of Relative TSR criterion and made TSR payout scale more stringent in future Long-term Incentive Plans</p>

### 88.7%

of the shareholder votes cast supported 2017 compensation decisions for the Chairman and CEO

### 91.7%

supported the compensation decisions for the Deputy CEO

### 71.8%

approved the principles and criteria governing 2018 compensation for the Chairman and CEO

### 73.8%

approved the principles and criteria governing 2018 compensation for the Deputy CEO

## 7. Interests and compensation of Group Senior Management

### Key changes proposed for approval

A more transparent performance assessment providing a clear link between the delivery of Schneider Electric’s strategic priorities, returns to shareholders and compensation.

Schneider Electric is a global company competing for talent in a demanding environment. The company’s ability to attract and retain the high-caliber executives required to lead this complex business is important for shareholders. In considering changes to the compensation policy, the Committee always tries to balance these pressures with the shareholders’ expectations.

A number of key changes are proposed to the Corporate Officers’ Compensation Policy for 2019 which will make it simpler, better align pay and performance, with a significant reduction in overlap between performance criteria in annual and long-term incentive plans before their complete removal in 2020 with the first plans issued under the new resolution (cf. 21<sup>st</sup> resolution submitted to the shareholders for approval at the general meeting of April 25th, 2019).

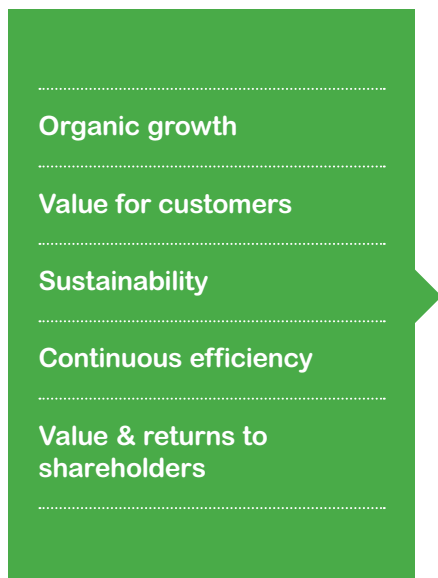
#### Annual incentive

- Simplified from 8 performance criteria to 4 with 80% Financial and 20% Sustainability based criteria.
- Stringent targets: The maximum annual incentive will only be earned where high performance is delivered on every performance metric.
- Alignment with a large number of employees: The Group performance criteria and targets for Corporate Officers will be shared with a large number of other executives and managerial employee population subject to Group performance criteria representing circa 58,000 employees (vs. 7,500 in 2018).

#### New long-term incentive plan (after 2019 GM)

- Simplified from 4 performance criteria to 3 with 70% Financial and 30% Sustainability based criteria.
- Removed Cash Conversion criteria.
- Increased Relative TSR weight from 15% to 30% and introduced more stringent vesting scale.
- Replaced adjusted EBITA with adjusted EPS (40%).
- Replaced the former internal sustainability criterion (Schneider Sustainability Impact) with an external and relative sustainability performance measure (Relative Sustainability Index) (30%).

### Group’s strategic priorities



### How the strategy links to the Corporate Officers variable compensation

#### Annual incentive plan

Delivering strong execution and creating value for customers and shareholders every year to contribute to Schneider Electric’s long-term success

Group organic sales growth 40%	Group adjusted EBITA margin improvement 30%	Group cash conversion rate 10%	Schneider Sustainability Impact 20%
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#### Future long-term incentive plan

Building an integrated and leading company with strong sustainability focus and attractive returns to shareholders

Earnings per share 40%	Relative total shareholder return 30%	Relative Sustainability Index 30%
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## 2018 performance highlights

### Business performance

Good progress, with strong revenues and organic improvement of the Adjusted EBITA margin, contributing to returns over the medium and long term.

**€25.7bn**

Revenue

**+10%**

Adjusted EBITA

**90%**

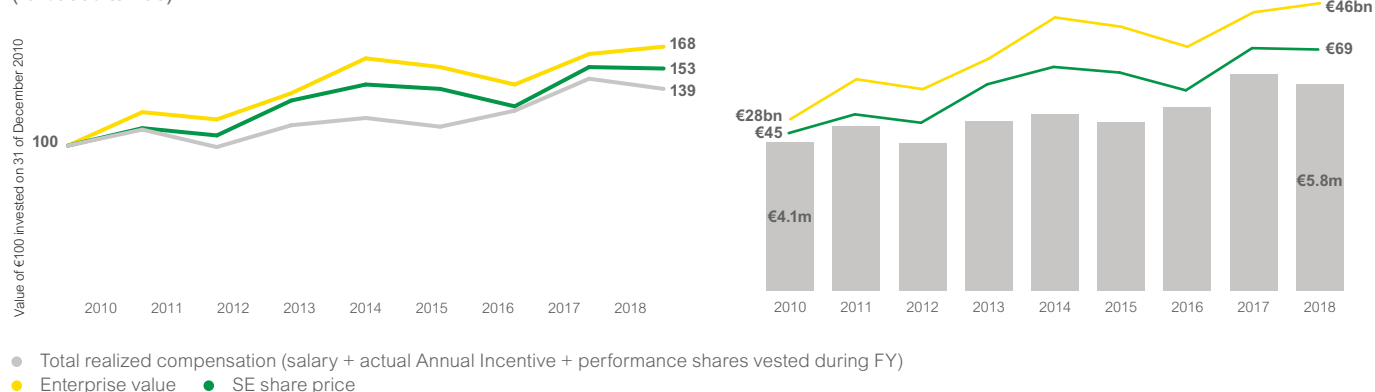
Strong cash conversion

**6.10↑**

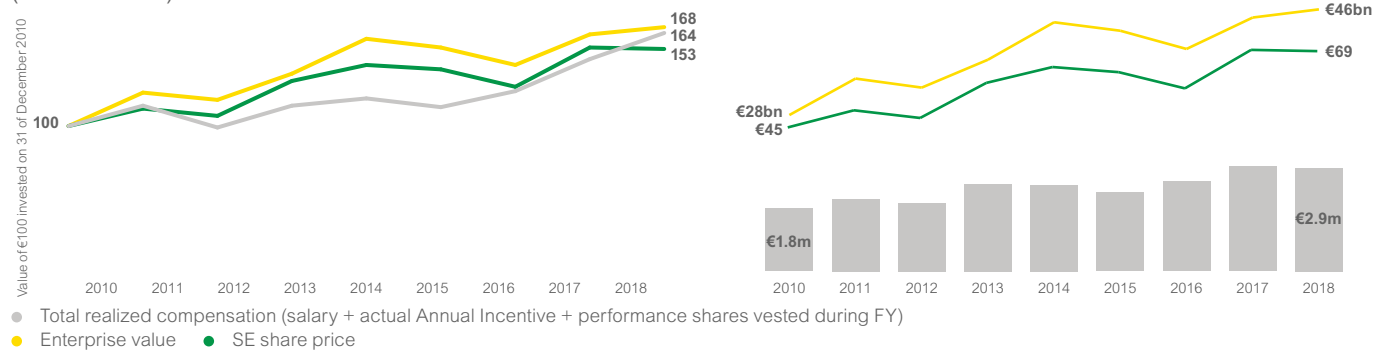
Progress in Schneider Sustainability Impact

### Positioning in relation to company's performance

CEO compensation vs shareholder value creation – share price and enterprise value growth over 8 years (re-based to 100)



Deputy CEO compensation vs shareholder value creation – share price and enterprise value growth over 8 years (re-based to 100)



### Summary of the compensation realized during the year 2018

Jean-Pascal Tricoire, Chairman and CEO (Euros)

6,255,872			
1,000,000	1,489,800	3,277,254 <sup>(1)</sup>	488,818
Salary	STIP	LTIP	Other

Emmanuel Babeau, Deputy CEO (Euros)

3,216,978			
680,000	779,280	1,420,118 <sup>(1)</sup>	337,580
Salary	STIP	LTIP	Other

(1) LTIP represents realized value of shares vested in 2018 (the 2016 plan).

## 7. Interests and compensation of Group Senior Management

### 7.2: Executive Compensation Governance

<p>Schneider Electric follows a rigorous process for determining executive compensation.</p>	<p>During 2018 the Committee discussed the Corporate Officers' compensation at 4 meetings of the Committee and 2 joint meetings with the HR &amp; CSR committee.</p>	<p>80% of the Committee are independent directors* with significant breadth and depth of expertise and experience.</p> <p><small>*as defined by the AFEP/MEDEF Code.</small></p>
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The general principles and criteria forming part of the compensation policy for Corporate Officers, their individual assessment and their individual compensation packages are prepared and reviewed by the Governance and remunerations committee (the "Committee"), which makes proposals to the board of directors for decision. The board is also informed regarding the compensation policy applying to other members of the Group Senior Management (the other members of the Executive Committee, see section 7.7), through the report to the board of the Human Resources and CSR committee. To help the board in the decision process, the Governance and remunerations committee and the Human Resources and CSR committee are authorized to call upon external experts for specific topics and benchmarking data and analyses. In 2018, there were also two joint meetings between the Governance and remunerations committee and the Human Resources and CSR committee to study and discuss the potential changes to the performance criteria and targets and to ascertain the alignment of the chosen approach with the compensation of other executives and employees of the Group.

As part of its preparatory work for its proposals to the board, the Committee:

<b>Defines incentive plan criteria</b>	<b>Benchmarks Corporate Officer pay</b>	<b>Engages with shareholders</b>
<p>◆ Defines incentive plan criteria based on Schneider Electric's executive compensation pillars and business strategy. Targets are determined at the beginning of the year in accordance with the goals of the Strategic Plan and individual performance objectives of each Corporate Officer.</p> <p>Based on circumstances and priorities, the targets also encompass risks raised by the Audit &amp; risks committee as well as the recommendations of the Human Resources and CSR committee.</p> <p style="text-align: center;"><a href="#">Read more on page 249 →</a></p>	<p>◆ Benchmarks Corporate Officers' pay against the median of a peer group consisting of 24 French and international companies that are comparable to Schneider Electric in terms of market capitalization, revenue, industry, or that represent a potential source of recruitment or attrition.</p> <p>This benchmarking is used as an indicator, not as a target, and is done ex-post only for reference.</p> <p style="text-align: center;"><a href="#">Read more on page 250 →</a></p>	<p>◆ Relies on its Chair and independent lead director to directly engage with shareholders to ensure their perspectives and feedback on Schneider Electric's compensation policy are heard and considered in decision-making.</p> <p>The topic of Corporate Officers' compensation has been discussed at 4 board meetings in 2018. Corporate Officers do not take part to the debates of the board concerning their own compensation.</p> <p style="text-align: center;"><a href="#">Read more on page 245 →</a></p>

This process ensures consistency and alignment between the compensation policy applied to the other executives and managers and the compensation policy applied to Corporate Officers. They share the same objectives and priorities and their rewards are aligned with Group's performance and shareholder value creation. In determining executive compensation, the use of discretion is limited and any use of discretion will be justified in public reporting. For 2018, the board exercised its overriding judgment downward by reducing the outcome of the Annual incentive formula. More specifically, the board decided to apply a reduction of 20 points to the achievement rate recorded on the Group criteria to take into account the absence of revision of the objectives in the course of the year and the performance of Schneider Electric on the stock market in 2018. More details on board's deliberation are provided further in this Registration Document.

For 2019, it is proposed to remove the individual objectives from the Annual Incentive Plan. It remains, however, the board's responsibility to determine the final quantum of the compensation.



## 7. Interests and compensation of Group Senior Management

Pillar	How It is reflected in the Group 2018 Compensation Policy																																																																		
<b>Competitiveness</b>	<p><b>Principle 6: To benchmark the Corporate Officers' compensation package "at target" in the median range of the Company's peer group.</b></p> <p>Schneider Electric compete for talent in a global marketplace. Most of the Group's key competitors are headquartered outside France. To reflect this, the International Peer group consists of 24 French, European and US companies that are comparable to Schneider Electric in size or industry sector or that represent a potential source of recruitment or attrition. Compensation levels for Corporate Officers are reviewed annually and benchmarked by reference to the median of this peer group to ensure they remain reasonable and appropriately competitive. This benchmarking is primarily used to establish a frame of reference for what competitors are paying to comparable roles, rather than as the main factor for making compensation decisions.</p> <p><b>Changes to the peer group:</b> Two of the peer companies have gone through significant corporate restructuring changes – Syngenta and Philips – and the board has decided to replace them with CNH Industrial and TE Connectivity.</p> <p>The new 2018 peer group comprises European and US-based companies:</p> <ul style="list-style-type: none"> <li>• Business competitors (in particular those identified in the Long-Term Incentive Plan as performance peers for TSR calculation purposes),</li> <li>• Talent competitors for operational and functional jobs, and</li> <li>• "Acceptance" peers (i.e. groups of a similar size, business or structure).</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Group 1: European (Capital Goods)</th> <th style="text-align: left;">Group 2: European (Construction)</th> <th style="text-align: left;">Group 3: European (Technology Hardware &amp; Software)</th> <th style="text-align: left;">Group 4: European (Industrial B2B)</th> <th style="text-align: left;">Group 5: US (Capital Goods)</th> <th style="text-align: left;">Group 6: US (Technology Hardware &amp; Software)</th> </tr> </thead> <tbody> <tr> <td>ABB Atlas Copco Legrand Siemens CNH Industrial</td> <td>ACS Lafarge Holcim Saint-Gobain Vinci</td> <td>Dassault Systèmes Hexagon SAP TE Connectivity</td> <td>Airbus Group Air Liquide Bayer Thyssenkrup</td> <td>Eaton Emerson Honeywell Johnson Controls Rockwell Automation</td> <td>Autodesk PTC</td> </tr> </tbody> </table> <p><b>Principle 7: To reference the CAC40 3rd quartile and the Stoxx Europe 50 median.</b></p> <p>The board reviews Corporate Officers' compensation with reference to the upper quartile of the CAC40 companies and the median of the Stoxx Europe 50 companies, in line with the Group's position within these panels.</p> <div style="margin-top: 10px;"> <p><b>Positioning of 2018 at target compensation of Schneider's Corporate Officers relative to the market benchmarks</b></p> <div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p><b>Chairman and CEO compensation relative to the market benchmarks</b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th rowspan="2">Compensation Component</th> <th colspan="2">CAC40</th> <th colspan="2">Company Peer Group</th> <th colspan="2">Stoxx Europe 50</th> </tr> <tr> <th>Base Salary</th> <th>Total Comp.</th> <th>Base Salary</th> <th>Total Comp.</th> <th>Base Salary</th> <th>Total Comp.</th> </tr> </thead> <tbody> <tr> <td>Compa Ratio vs Q3</td> <td>72</td> <td>107</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Compa Ratio vs Median</td> <td>-</td> <td>-</td> <td>79</td> <td>87</td> <td>70</td> <td>100</td> </tr> </tbody> </table> </div> <div style="width: 45%;"> <p><b>Deputy CEO compensation relative to the market benchmarks</b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th rowspan="2">Compensation Component</th> <th colspan="2">CAC40</th> <th colspan="2">Company Peer Group</th> <th colspan="2">Stoxx Europe 50</th> </tr> <tr> <th>Base Salary</th> <th>Total Comp.</th> <th>Base Salary</th> <th>Total Comp.</th> <th>Base Salary</th> <th>Total Comp.</th> </tr> </thead> <tbody> <tr> <td>Compa Ratio vs Q3</td> <td>80</td> <td>116</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Compa Ratio vs Median</td> <td>-</td> <td>-</td> <td>112</td> <td>101</td> <td>78</td> <td>101</td> </tr> </tbody> </table> </div> </div> <p>Total compensation includes base salary, annual incentive at target, and IFRS value of performance shares granted during the year.</p> </div>	Group 1: European (Capital Goods)	Group 2: European (Construction)	Group 3: European (Technology Hardware & Software)	Group 4: European (Industrial B2B)	Group 5: US (Capital Goods)	Group 6: US (Technology Hardware & Software)	ABB Atlas Copco Legrand Siemens CNH Industrial	ACS Lafarge Holcim Saint-Gobain Vinci	Dassault Systèmes Hexagon SAP TE Connectivity	Airbus Group Air Liquide Bayer Thyssenkrup	Eaton Emerson Honeywell Johnson Controls Rockwell Automation	Autodesk PTC	Compensation Component	CAC40		Company Peer Group		Stoxx Europe 50		Base Salary	Total Comp.	Base Salary	Total Comp.	Base Salary	Total Comp.	Compa Ratio vs Q3	72	107	-	-	-	-	Compa Ratio vs Median	-	-	79	87	70	100	Compensation Component	CAC40		Company Peer Group		Stoxx Europe 50		Base Salary	Total Comp.	Base Salary	Total Comp.	Base Salary	Total Comp.	Compa Ratio vs Q3	80	116	-	-	-	-	Compa Ratio vs Median	-	-	112	101	78	101
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## 7. Interests and compensation of Group Senior Management

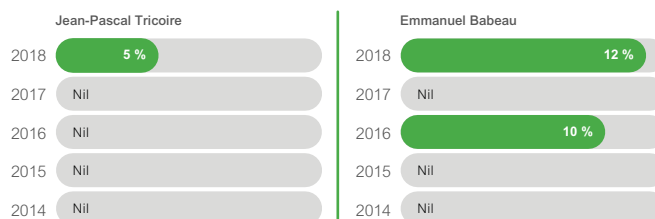
### Base salary

#### Purpose

Base salaries are reviewed annually and reflect the scale and complexity of the business and the level of responsibility attached to the role and are set reasonably competitive with the external market. Base salary element represents approximately 18% to 25% of total target compensation for Corporate Officers.

In conformity with the 2018 Compensation policy, Mr. Tricoire's salary was increased by 5% from €950,000 to €1,000,000 and Mr. Babeau's salary was increased by 12% from €605,000 to €680,000. Mr. Tricoire had not received a salary increase since 2013.

#### Salary increases over the last five years



In reviewing the Corporate Officers' base salaries for 2018, the Board had considered the overall good performance of the Group over the past five years, the Group's successful diversification and expansion worldwide, the Corporate Officers' overall pay competitiveness compared to their peers and their individual contributions to Schneider Electric's successful achievements, while also taking into consideration internal and external acceptance levels.

### 2018 Annual Incentive

#### Purpose

Rewards achievement of the short-term financial, transformational and sustainability (corporate and social responsibility) objectives of the Group.

The pay-out opportunity at threshold performance is 0%, with 50% of maximum annual incentive payable for achieving target. Pay-outs between threshold and target, and between target and maximum, are determined on a straight-line basis. The maximum Annual Incentive potential for Corporate Officers is 260% of base salary for Chairman and CEO and 200% for the Deputy CEO.

The payment of the variable annual cash incentive is conditional upon approval by shareholders of the compensation granted to the concerned Corporate Officer.

In 2018, the Company's Transformational objectives were increased to 30%, and individual objectives were reduced to 10%, thus increasing the financial criteria to 84% of the total. This has further strengthened the relationship between pay and performance and also the readability of the Corporate Officers' compensation. Giving more weight to the performance criteria measuring the implementation of the Company's program strengthened the alignment between Corporate Officers' pay and delivery of the Group's strategic priorities.

The Company does not operate a clawback policy. The Board, however, has formalized its approach to finalizing annual incentive outcomes at the end of the performance period whereby it will review the executives' performance against pre-set objectives as well as the Company's underlying performance, share price performance, and financial communications to ensure that annual incentives are not paid based solely on a formulaic outcome. To this end, for 2018, the board, upon recommendation from the Committee, reduced the formulaic outcome for the achievement rate on Group criteria by 20 points (thereby reducing it from 136.2% to 116.2%), resulting in a reduction of 18 points on the total annual incentive. This reduction was made to take into account factors such as the business environment and the Company's recent share price performance.

132.6%  
Formulaic outcome

-20pts on Group criteria  
Board's reduction

114.6%  
Final achievement rate after reduction

2018 performance criteria	Weight (%)	Performance Range			Achievement rate (weighted)
		Threshold 0%	Target 100%	Maximum 200%	
<b>Group financial indicators (60%)</b>					
Organic Sales growth, %	30%	1%	4%	7%	56%
Adjusted EBITA margin improvement (org.)	20%	+0.1pts	+0.4pts	+0.8pts	25%
Cash Conversion rate, %	10%	80%	95%	110%	6.7%
<b>Company's economic priorities (24%)</b>					
Field Services sales growth (without process automation)	8%				14.1%
Digital Index	8%				4.8%
Systems Commercial Margin (Projects & Equipment) improvement	8%				5.6%
<b>Sustainability (6%)</b>					
Schneider Sustainability Impact (score)	6%	3.5	5	6.5	10.4%
<b>Individual assessment by the Board</b>	10%				10%
<b>Total</b>	100%				132.6%
<b>Reduction applied to Group criteria</b>					-20pts x 90%=-18pts
<b>Total after Reduction</b>					<b>114.6%</b>

As a result, the 2018 Annual Incentive pay-out for the Corporate Officers stands as follows:

Corporate Officer	as % of salary	Target Payout	Achievement rate	2018 Actual Payout	
		Amount (€)	as % of target	as % of salary	Amount (€)
Jean-Pascal Tricoire	130%	€1,300,000	114.6%	149%	€1,489,800
Emmanuel Babeau	100%	€680,000	114.6%	114.6%	€779,280

In compliance with article L.225-100 of the French Commercial Code, the payment of this annual incentive is subject to approval by the shareholders of the compensation granted to the Corporate Officers for the financial year 2018 (cf. 5<sup>th</sup> and 6<sup>th</sup> resolutions submitted to the Shareholders' Meeting of April 25, 2019).

The annual incentive program relies on a variety of metrics, mostly economic and measurable, that reflect a balanced set of priorities for the financial year followed by the Corporate Officers.

The measurable financial objectives for 2018 represented 84% of the variable compensation in cash of Messrs. Tricoire and Babeau. In total, 2018 performance resulted in an overall achievement rate of 132.6%, before reduction by the board. These above target numbers reflect the strong results delivered by Schneider Electric in 2018.

### Organic Sales growth

The Group delivered an organic sales growth of +6.6%, in excess of both the initial target of +3% to +5% communicated in February 2018 and its subsequent upgrades. This translated into a 186.7% achievement rate on this criterion.

### Adjusted EBITA margin improvement

The initial target communicated by the Group in February 2018 was for an organic expansion of the adjusted EBITA margin towards the upper-end of a +20bps to +50bps range, corresponding to the upper-end of the range targeted for yearly improvement, on average, between 2017-19. The range for 2018 was narrowed in July, when the Group upgraded the lower end of its target to be between +30bps to +50bps for the year. In a strong inflationary environment, the Group achieved an organic expansion of +50bps of the margin, representing an achievement rate of 125% on this criterion.

### Cash conversion

As a consequence of the strong revenue growth in 2018, there were increased demands on working capital, the consumption of which resulted in a slightly lower free cash flow this year, an effect which can be expected to unwind in future years. The cash conversion rate from net income (Group share) was 90%, below the 95% initial target, resulting in an achievement rate on this criterion of 66.7%.

### Economic priorities of the Company programme

The Group continued to make progress throughout 2018 on its strategic transformation initiatives:

- Overall the 9% organic growth in Services sales was in excess of the ambition set by the board as a benchmark for progress in this strategically important area. As regards Field Services specifically, the initiatives taken proved to be successful, as the 8.3% organic growth in Field Services sales was higher than the initial target and resulted in an achievement rate of 176.7% on this criterion (vs. 0% in 2017).
- On Systems, an improvement of operating margin of +70bps year-over-year reflected targeted efforts to improve on this strategic priority, but remained below the challenging objective on this criteria set by the board, resulting in an achievement rate of 70% on this criterion.

## 7. Interests and compensation of Group Senior Management

### Schneider Sustainability Impact

The Schneider Sustainability Impact is the Group's transformation plan and steering tool measuring progress towards its ambitious sustainability commitments. The Schneider Sustainability Impact (2018-2020), formerly known as the Planet and Society Barometer, reached a score of 6.1/10 as at 31 December 2018, the completion of the first year of a three year plan. The strong progress made by the Group in various areas of sustainability has led to external recognition and several awards, including in relation to Climate and Circular Economy. This translated into a 173.3% achievement rate on this criterion.

### Individual assessment

Observing that the individual objectives, mainly related to the preparation and update of a succession plan, had been satisfactorily achieved, the board set their achievement rate at 100%.

### Reduction by the Board

In assessing Schneider Electric's Corporate Officers in 2018, the board noted the acceleration of the strategy execution in FY18 which contributed to a strong performance: Group revenue of €25.7bn, growing +7% organically, Adj. EBITA up +10% organic, and record Net Income & EPS. The board also noted continued focus on generating attractive returns to Schneider shareholders, with a proposed dividend increase by 7% and an announcement of a new share buyback program.

However, the board noted that the overall stock performance did not reflect the excellent results as the share price has decreased by circa 16% in 2018 and the one-year Schneider Electric's Total Shareholder Return underperformed CAC 40 by 5% and Euro Stoxx 50 by 3%.

The board also noted that the year 2018 had presented overall a positive economic environment.

Taking both Schneider Electric overall performance as well as the external environment into account, the board, relying upon the analysis and recommendations from the Governance and remunerations committee, decided to exercise its judgment by overriding downwards the outcome of the compensation formula.

**After discussion on the extent of the adjustment, the board lowered the Corporate Officers' Annual Incentive achievement rate by 20pts on the Group indicators representing 90% of the Annual Incentive structure, resulting in a reduction of 18pts on the total achievement rate, from 132.6% to 114.6%.**

## Performance Shares (Long-term Incentive Plan)

### Purpose

LTIP links the largest part of Corporate Officers' compensation with the long-term success of the Group. The actual outcome varies with the achievement of performance criteria linked directly to strategic priorities.

Shares granted are subject to a performance period of three years with an additional mandatory one year holding period for 30% of shares granted to the Corporate Officers in consideration for their corporate office with Schneider Electric SE.

For performance at threshold, 0% of the award will vest. For maximum performance, 100% will vest. Vesting will operate on a straight-line basis between these points.

### 2018–2020 Long-term Incentive Plan

Under the 2018 Compensation policy approved by the shareholders, the Chairman and CEO Mr. Tricoire was granted 60,000 shares and the Deputy CEO Mr. Babeau was granted 26,000 shares.



Performance criteria and weightings applicable to the **2018 – 2020 LTIP** are as follows:

<b>80% Financial and TSR</b>	<b>Adjusted EBITA margin (organic) improvement</b> <b>40%</b>	This is defined as the average of the annual rates of achievement of Adjusted EBITA margin objectives for financial years 2018 to 2020 set by the board of directors and is in line with the objectives announced to investors at the beginning of the year. For 2018, the board decided that if the adjusted EBITA margin increased by at +10 basis points before foreign exchange impact compared with 2017, 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 2018 would be 100%, with a linear distribution between the 2 points.
	<b>Group Cash conversion rate</b> <b>25%</b>	The target average rate ranges between 80% and 100% according to the following scale: <ul style="list-style-type: none"> <li>• If the average rate is below or equal to 80% – 0% shares vesting.</li> <li>• If the average rate is equal to or higher than 100% – 100% shares vesting.</li> <li>• Straight line between these points.</li> <li>• An exceptional performance with an average rate higher than 100% will give right to a complementary allocation of shares for that criterion offsetting, up to the same number of shares and within the limit of 50% (corresponding to an average rate of 120% or more), a level of achievement below 100% for Adjusted EBITA or TSR. However, the number of shares thus allocated shall not, under any circumstances, cause the original number of shares granted under Adjusted EBITA, Cash conversion and Relative TSR criteria to be exceeded.</li> </ul>
	<b>Relative TSR</b> <b>15%</b>	Relative TSR objective is set based on Schneider Electric's TSR ranking within the following panel of companies: ABB, Legrand, Schneider Electric, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa, according to the following scale: <ul style="list-style-type: none"> <li>• Last quartile (Ranks 10,11 and 12) – 0% shares vesting.</li> <li>• Third quartile (Ranks 7,8 and 9) – 13% (average) shares vesting.</li> <li>• Second quartile (Ranks 4,5 and 6) – 87% (average) shares vesting.</li> <li>• First Quartile (Ranks 3,2 and 1) – 100% shares vesting and up to 150% with an average of 135%.</li> <li>• Exceptional performance above 100% on TSR can offset performance achievement level below 100% for Adjusted EBITA or Cash Conversion Rate. However, the number of shares thus allocated shall not, under any circumstances, cause the original number of shares granted under Adjusted EBITA or Cash conversion criteria to be exceeded.</li> <li>• In the event that the gap between the Schneider Electric TSR and that of the peers is less than 3% in TSR value, Schneider Electric will be deemed to have the same ranking as the latter.</li> </ul>
<b>20% Sustainability</b>	<b>Schneider Sustainability Impact</b> <b>20%</b>	This criterion measures the annual progress (score) for financial years 2018 to 2020. For 2018, the following scale applies: <ul style="list-style-type: none"> <li>• 0% shares vest – if the score is 3.5 or lower.</li> <li>• 100% shares vest – if the score is equal to or higher than 5.</li> <li>• Distribution is linear between these two points.</li> </ul> <p>The objective is to progress and improve the score every year.</p>

## 7. Interests and compensation of Group Senior Management

The target values of each of these objectives are set by the board based on the objectives communicated to the market. The achievement rates will be detailed for each criterion in the compensation report to the shareholders once the performance period has finished.

Corporate Officer	Number of Shares (Plan No. 30) <sup>(1)</sup>	Number of Shares (Plan No. 31)	IFRS value of shares granted <sup>(2)</sup>	% of total capital as of December 2018
Jean-Pascal Tricoire	18,000	42,000	3,281,280	0.01%
Emmanuel Babeau	7,800	18,200	1,421,888	0.004%

(1) The performance shares granted only to Corporate Officers, are subject to a one year holding period.

(2) IFRS value is calculated by multiplying the number of shares granted by IFRS share price which is calculated by external consultants applying IFRS 2 accounting standards. For further details refer to the Note 1.20, page 289.

### Cap on LTI

The total number of shares granted for each Corporate Officer represents a cap. Under no circumstances, even in case of overachievement of all targets, the number of shares acquired by the Corporate Officers may exceed the number of shares granted.

### Shareholding Requirement

25% for Mr. Tricoire and 15% for Mr. Babeau of the shares vested are subject to a holding requirement until such time as the Corporate Officer ceases duties. Furthermore, in the event of vested shares being sold, Messrs. Tricoire and Babeau are required to reinvest 10% of the sale proceeds into Schneider Electric shares (net of taxes and contributions). These requirements are currently suspended as both Corporate Officers hold Schneider Electric shares with a value representing more than 3 times (for Mr. Tricoire) and 2 times (for Mr. Babeau) their base salary.

### 2016 Long-term Incentive Plan – Realized value in 2018

The performance period for shares granted in 2016 has finished on December 31, 2018 and shares under the plans 25 and 26 are therefore deemed vested. Their final acquisition is however still subject to the satisfaction of the presence condition at the delivery date (cf. page 371 for details).

At its meeting of February 13, 2019, the board assessed the achievement rate of performance criteria for Plans 25 and 26 granted in 2016 based on the Group's performance over the three-year period 2016 – 2018 and set the final rate of achievement at 91.46%, i.e., a reduction of 8.54% in relation to the number of shares originally granted.

Mr. Tricoire and Mr. Babeau have been granted conditionally 18,000 shares and 7,800 shares under Plan no. 25 and 42,000 shares and 18,200 shares under Plan no. 26 respectively. After applying the reduction for performance not achieved, the resulting outcomes are as follows:

Corporate Officer	Number of Shares (Plan No. 25) <sup>(1)</sup>	Number of Shares (Plan No. 26) <sup>(2)</sup>	Number of shares deemed vested	No of shares lapsed	Value of deemed vested shares <sup>(3)</sup>
Jean-Pascal Tricoire	18,000	42,000	54,877	5,123	3,277,254
Emmanuel Babeau	7,800	18,200	23,780	2,220	1,420,118
Vesting date	March 30, 2019	March 23, 2020			

(1) Plan 25 – performance shares granted under this plan to Corporate Officers are subject to two years holding period following vesting, therefore shares will only become unrestricted on March 31, 2021.

(2) Plan 26 has an additional vesting period of one year following the performance period of 3 years which expired on December 31, 2018 and therefore shares, after reduction for performance, will be delivered in March 2020 without any further restrictions.

(3) The share price used to value vested shares is a closing share price on 31 December 2018, i.e. €59.72.

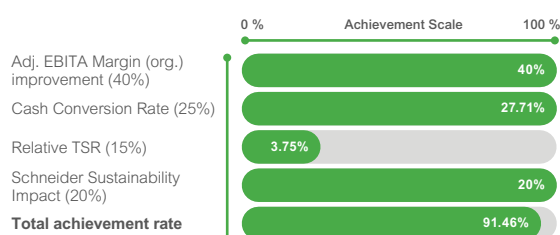
## Performance assessment

Shares granted under the 2016 plan were subjected to relative TSR, financial and sustainability performance criteria assessed over three years from 2016 to 2018, as follows:

PLANS 2016 (Plans 25, 26)	40% Adjusted EBITA	25% Cash conversion rate	20% Planet & Society Barometer	15 % Relative TSR
	<b>Average achievement rate for 2016, 2017 &amp; 2018</b> <b>2016:</b> Actual result: +0.4pts Achievement rate: 100% <b>2017:</b> Actual result: +0.9pts Achievement rate: 100% <b>2018:</b> Actual result: +0.5pts Achievement rate: 100%	<b>Average rate for 2016, 2017 &amp; 2018</b> <b>2016:</b> Actual result: 105% <b>2017:</b> Actual result: 118% <b>2018:</b> Actual result: 90% Achievement rate: 110.8%	<b>Index between 8.5 and 9.5 at year end 2018</b> <b>2018:</b> Actual result: 9.58 Achievement rate: 100%	<b>Ranking in December 2018</b> <b>2018:</b> Actual result: Rank 7 Achievement rate: 25%

- **Improvement (org.) of the Adj. EBITA operating margin** – an achievement rate of 100% was achieved on the Adj. EBITA margin criteria, reflecting continuous progress on productivity and SFC control.
- **Cash conversion** – despite a lower cash-flow generation in 2018, the good level of cash conversion from net income overall exceeded the initial ambition, resulting in overperformance setting-off partially the underachievement of the objectives under the Relative TSR criterion.
- **Relative TSR** – over the three-year period – the Company's TSR was ranked 7<sup>th</sup> in the reference panel. The TSR element was measured on a relative basis in common currency against the panel of 11 companies: ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa.
- **Planet & Society Barometer** – measures the progress of the Group with regard to environmental sustainability and social responsibility across 16 indicators and reached a level of 9.58. This strong performance enabled full vesting for this performance criterion.

### 2016 – 2018 LTIP Performance Criteria Achievement Scale



## Complementary cash payment for pension building

Since the board's decision in 2015 to move away from the "Art. 39" defined-benefit pension schemes due to the excessive cost of such "top hat" pension plans, the Corporate Officers have to build their own pension and to this end, are granted a combination of fixed and variable payments that are considered "other benefits" to ensure consistency and comparability with other French or international companies. The variable payment is aligned with the annual incentive in terms of criteria and payout rate. The Corporate Officers have committed to depositing these additional payments, after taxes, into investment vehicles dedicated to the supplementary financing of their pensions.

For 2018 Messrs. Tricoire and Babeau are entitled to receive:

Corporate Officer	Fixed Amount	Variable Amount <sup>(1)</sup>
Jean-Pascal Tricoire	€191,600	€285,446
Emmanuel Babeau	€153,300	€175,682

(1) Calculated by applying to the fixed compensation above the percentage of target achievement determined for the calculation of the annual variable compensation.

In compliance with applicable law, the payment of the variable amount will be subject to shareholders' approval.

## 7. Interests and compensation of Group Senior Management

### Other benefits

#### Employer Matching Contributions and Profit-Sharing

For the financial year 2018, both Corporate Officers were eligible for profit-sharing and the employer matching contribution paid to subscribers to the capital increase reserved for employees.

In addition, both Corporate Officers were eligible for the employer matching contribution paid to subscribers to the collective pension fund (PERCO) for the retirement of workers in France.

Corporate Officer	Employer matching contribution to capital Increase for Employees	Employer matching contributions to collective Pension Saving Plan (PERCO)	Profit-sharing	Total
Jean-Pascal Tricoire	€1,404	€800	€8,815	€11,019
Emmanuel Babeau	€1,404	€0	€8,815	€10,219

#### Company Car

The use of a company car in 2018 granted to each of Messrs. Tricoire and Babeau represented an equivalent cost of EUR11,772 and EUR8,598 respectively.

#### 7.3.3: Attendance fees

Mr. Tricoire waived the attendance fees to which he was entitled in his capacity of Chairman of the board in pursuance of the distribution rules adopted by the board. Likewise, in accordance with the Group internal rules, Mr. Babeau will not receive attendance fees from any directorship in Group companies.

#### 7.3.4: Other benefits Forming Part of the Status of the Corporate Officers (Regulated Agreements)

##### Health, Life & Disability

Messrs. Tricoire and Babeau are granted benefits under the Schneider Electric SE and Schneider Electric Industries SAS employee benefit plan, which offers health, incapacity, disability and death coverage, plus additional coverage for health, incapacity, disability or death available to Group Senior Management under French contract as well as Group personal accident insurance policies in case of disability or death resulting from an accident. They are also entitled to an annuity for the surviving spouse in the event of death or an annuity with reversion to the surviving spouse in the event of disability, provided that these risks occur before the end of their term of office or after the age of 55 in the event of departure from the company following redundancy or a disability.

The benefit of this supplementary coverage and contingency compensation under individual Group accident insurance policies is subject to the achievement of either of the following performance conditions: the average net income from the 5 financial years leading up to the event is positive or the average free cash flow from the 5 financial years leading up to the event is positive.

##### Termination agreements

The provisions of the regulated agreements and commitments applicable in case of termination of the Corporate Officers term have not been enforced in 2018.

In pursuance of the regulated agreements then in force, Messrs. Tricoire and Babeau were entitled to involuntary severance pay in case of a forced departure. A case of forced departure could have occurred in three different circumstances, namely:

- i. Dismissal, non-renewal or resignation as CEO or Deputy CEO in the 6 months following a material change in Schneider Electric's shareholder structure that could change the membership of the board of directors;
- ii. Dismissal, non-renewal or resignation as CEO or Deputy CEO in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in shareholder structure as described above; and
- iii. Dismissal, non-renewal or requested resignation as CEO or Deputy CEO when, on average, two-thirds of the Group performance criteria (to be distinguished from individual performance objectives) would have been achieved for the last 4 financial years from the day of resignation.

In addition, both Corporate Officers were bound by a non-compete agreement in case of resignation from the Group. The one-year agreement called for compensation to be paid at 60% of annual fixed and target variable parts.

In conformity with the recommendations of the AFEP-MEDEF corporate governance code:

- The entitlement to involuntary severance pay is subject to strict performance conditions, assessed over a period not lesser than two years;
- Only circumstances of a forced departure, regardless of the form of the departure, could trigger the entitlement to involuntary severance pay;
- Together with the non-compete indemnity, if any, the involuntary severance pay could not exceed twice the average of the Corporate Officers' effective annual compensation (fixed and variable part);
- Since the approval of the new regulated agreements at the shareholders' general meeting of April 24, 2018, the board shall determine unilaterally whether or not to apply the non-compete clause at the time of the departure of the Corporate Officer.

## 7.4: Corporate Officers' compensation policy for the financial year 2019

The principles and criteria governing the compensation and benefits of all types granted to the corporate officers for 2019 as detailed in this section are submitted to the shareholders for approval at the 2019 shareholders' meeting on April 25, 2019 under the 7<sup>th</sup> and 8<sup>th</sup> resolutions.

The Committee has reviewed the existing policy and concluded that the pillars and principles formulated for 2018 continue to provide market competitive pay, ensuring a strong link between pay and performance, strong alignment with shareholders and long-term focus. Therefore, based on the Committee's analyses and recommendation, the board decided at its meeting of December 12, 2018 to maintain the 2018 executive compensation pillars, namely, Pay-for-Performance, Alignment with Shareholders' Interests, and Competitiveness, and the seven principles that they translate into (see page 244 of this registration document).

The Committee has also reassessed the adequacy of the compensation criteria in the light of these principles and the shareholders' concerns expressed in 2018 at the general meeting and during the shareholder engagement process described above (see page 245 of this registration document).

Relying on the works and recommendations of the Governance and remunerations committee, the board, at its meeting of February 13th, 2019, decided that the overall compensation structure of the Corporate Officers should remain largely the same as in 2018 as it satisfies the objectives of pay-for-performance and alignment with the shareholders' interests, subject however to structural changes in the performance criteria and weightings, presented below.

Compensation Element	Overview of the decisions	Rationale
<b>Base salary</b>	<ul style="list-style-type: none"> <li>Based on the Committee's recommendation, the board decided that the Corporate Officers' salaries should remain unchanged in 2019:               <ul style="list-style-type: none"> <li>Jean-Pascal Tricoire: €1,000,000</li> <li>Emmanuel Babeau: €680,000</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Considering the increases awarded to the Corporate Officers in 2018, the Group and individual performances and the positioning on the relevant market, the board decided that there were no special circumstances that would call for a salary increase in 2019.</li> </ul>
<b>Annual Incentive</b>	<ul style="list-style-type: none"> <li>Simplified from 8 performance criteria to 4 with 80% Financial and 20% Sustainability based criteria.</li> <li>Stringent targets: The maximum annual incentive will only be earned where a strong performance is delivered on each performance metric.</li> <li>Removed the portion based on individual assessment of the board (formerly, 10% of the total Annual Incentive at target).</li> </ul>	<ul style="list-style-type: none"> <li>The revised structure focuses on what matters to Schneider Electric in delivering value to shareholders. It is 100% based on quantitative criteria, simple and easily readable.</li> <li>The financial criteria – adj. EBITA margin, cash conversion and organic sales growth – represent 80% of the Annual Incentive and closely align Schneider Electric's financial performance with pay outcomes for Corporate Officers.</li> <li>Increased weight (%) of the Sustainability Impact criteria from 6% to 20% further highlights the importance of sustainability on Schneider Electric's business agenda.</li> <li>Once the future LTIP is in place, i.e. after the 2019 Shareholders' Meeting of April 25, 2019 and subject to the approval of the 21<sup>st</sup> resolution, there will be no longer any duplication of performance criteria with the future LTIP.</li> </ul>

## 7. Interests and compensation of Group Senior Management

Compensation Element	Overview of the decisions	Rationale
<p><b>Performance Shares (Long-Term Incentive Plan)</b></p>	<p><b>Note:</b> Awards under the 2019 LTIP are decided in March and will therefore be governed by the current 2016 resolution.</p> <ul style="list-style-type: none"> <li>• Maintained the same number of shares to be granted to both Corporate Officers as in 2018:                             <ul style="list-style-type: none"> <li>– Jean-Pascal Tricoire: 60,000 shares</li> <li>– Emmanuel Babeau: 26,000 shares</li> </ul> </li> <li>• For 2019, Introduced a more demanding Relative TSR payout scale:                             <ul style="list-style-type: none"> <li>– Overcompensation only for exceptional performance</li> <li>– No pay-out at or below rank 8</li> <li>– Automatic 3% adjustment rule (i.e. if results are closely clustered) replaced by board judgment).</li> </ul> </li> <li>• A more stringent approach to targets setting – 100% of award can only be earned for stretching performance: e.g., for the Adj. EBITA criterion, only 70% of award will be earned for achieving targets aligned with the objectives communicated to the market (vs. 100% previously).</li> <li>• From 2020 onwards, there will be further changes to the LTIP, as summarized in section 7.1, including:                             <ul style="list-style-type: none"> <li>– reducing number of performance criteria from 4 to 3 and removal of duplicate performance criteria between the annual and long-term incentives;</li> <li>– introducing EPS as performance criterion,</li> <li>– modifying TSR peer group to also include CAC40 companies in addition to the current peer group and introducing a demanding payout scale.</li> <li>– introducing new relative and external Sustainability criteria which will measure Schneider Electric’s progress as regards sustainability as assessed externally through independent, demanding and public indices.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Having reviewed the market practice among the three key comparator panels as specified in the Compensation Principles, the board decided that the number of shares granted to the Corporate Officers continue to be reasonable in terms of quantum and market practice for comparable roles.</li> <li>• The board has heard the concerns raised by the shareholders at the 2018 Shareholders Meeting and has done a robust review of the LTIP performance criteria, targets setting approach and the quantum of the awards. The review helped the board to ensure that the future LTIP performance criteria continue to promote the execution of Schneider Electric’s strategy, encourage steady and sustainable growth and reinforce the alignment with the shareholders’ expectations.</li> <li>• For 2019 LTIP, only limited changes could be implemented. The future changes will apply to the LTIP issued after 25 April 2019 under the new resolution.</li> <li>• The TSR payout scale was thoroughly reviewed, and, considering the composition of the current TSR peer group, the geographical spread of Schneider Electric’s direct competitors, and the volatility of the overseas stock markets, the board decided to retain the same peer group for 2019 LTIP awards, but introduced a more demanding payout scale.</li> </ul>
<p><b>Discretionary Awards</b></p>	<ul style="list-style-type: none"> <li>• Maintained the prohibition of one-off payments that are not provided for in the compensation policy approved by the shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>• This practice has been continued as it helps to ensure Schneider Electric pays for performance.</li> </ul>
<p><b>Other benefits forming part of the status of the Corporate Officers</b></p>	<ul style="list-style-type: none"> <li>• The regulated agreements approved by the shareholders at the Shareholders Meeting of April 24, 2018, remain unchanged. See ‘Statutory Auditors’ special report on Regulated Agreements and Commitments pages 406 to 408.</li> </ul>	<p>As prescribed by the AFEP/MEDEF Code:</p> <ul style="list-style-type: none"> <li>• Involuntary severance payments are subject to performance conditions to ensure no pay is due to bad leavers;</li> <li>• Involuntary severance pay, including non-compete indemnity, if any, cannot exceed two years of compensation in cash;</li> <li>• Involuntary Severance payments can be paid only in case of forced departure;</li> <li>• In no case can unvested share awards be retained by a Corporate Officer in a context of non-performance.</li> </ul>



## 7. Interests and compensation of Group Senior Management

### Application of the 2019 Corporate Officers' Compensation Policy

Set out below is the application of the principles and criteria forming the 2019 Corporate Officers' Compensation Policy, which will be submitted to the shareholders for approval at the 2019 Shareholders' Meeting of April 25, 2019.

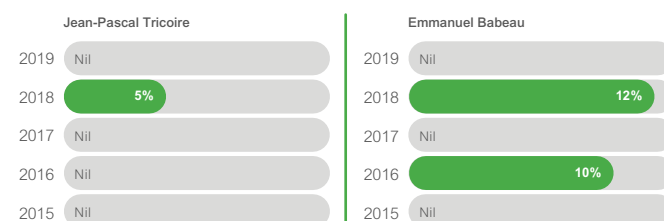
#### Base salary

### Purpose

Base salaries are fixed remuneration, reflecting the scale and complexity of the business and the level of responsibility attached to the role of a Corporate Officer.

The board reviews Corporate Officers' salaries regularly but usually awards increases only over a substantial period of time, unless there are specific circumstances that would warrant a salary increase, for example a major change in the Corporate Officer's duties. The board ensures that Corporate Officers salaries are set reasonably comparing to the external market for similar roles.

#### Salary increases over the last five years



Base salary represents approximately 18% to 25% of total compensation at target.

The board has decided there will be no increase in salaries in 2019.

Corporate Officer	FY 2019 (as of 1/1/19)	FY 2018 (as of 1/1/18)	% Change
Jean-Pascal Tricoire, Chairman & CEO	€1,000,000	€1,000,000	0%
Emmanuel Babeau, Deputy CEO	€680,000	€680,000	0%

#### Annual Incentive

### Purpose

Annual Incentive provides variable cash compensation which rewards achievement of the short-term financial and sustainability targets of the Group.

At the start of the financial year, performance criteria and weightings are determined, and annual financial and sustainability targets are reviewed in detail by the Committee and recommended to the board for approval. Outcomes will be determined based on performance against each of those targets. The board has the flexibility to review targets during the year to ensure continuous alignment with shareholders' interests.

The payment of the variable annual cash incentive is conditional upon approval by shareholders of the compensation granted to the Corporate Officers. The Company does not operate a clawback policy.

The pay-out opportunity at threshold performance is 0%, with 50% of maximum annual incentive payable for achieving target. Pay-outs between threshold and target, and between target and maximum, are determined on a straight-line basis.

#### 2019 Annual Incentive opportunity at target and maximum:

##### Jean-Pascal Tricoire, Chairman & CEO

Minimum	At target	Maximum
0% of salary	130% of salary	260% of salary
Nil	€1,300,000	€2,600,000

##### Emmanuel Babeau, Deputy CEO

Minimum	At target	Maximum
0% of salary	100% of salary	200% of salary
Nil	€680,000	€1,360,000



100% measurable and quantifiable criteria

80% Financial and 20% Sustainability

For 2019, the board proposes that the measurable financial performance criteria determine 80% and sustainability criteria, 20% of the variable cash compensation of Messrs. Tricoire and Babeau as follows:

Performance Criteria	Description and link to strategy
40% Group Organic Sales Growth	Fostering organic growth through deployment of strategic priorities in key markets
30% Adjusted EBITA operating margin improvement	Enabling shareholder value creation through continuous efficiency
20% Schneider Sustainability Impact	Promoting continuous progress towards more sustainability and value for customers
10% Group Cash conversion	Enabling returns to shareholders

For business confidentiality reasons, the level of attainment required at target cannot be disclosed; however, the targets have been set by the board at the meeting of 13th February 2019 and will be communicated retrospectively.

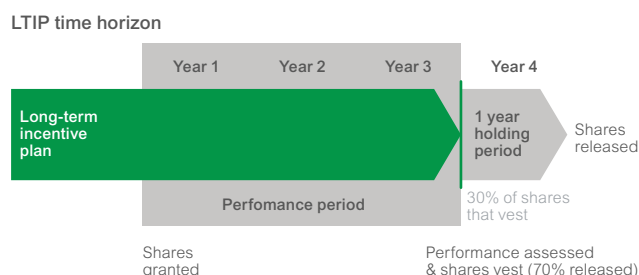
## Performance Shares (Long Term Incentive Plan)

### Purpose

LTIP links the largest part of Corporate Officers' compensation with the long-term performance of the Group and the actual outcome varies with performance against criteria linked directly to strategic priorities.

Shares granted are subject to a vesting period of three years with an additional mandatory one year holding period for 30% of shares which are granted under the Plan reserved to the Corporate Officers.

For threshold performance, 0% of shares granted will vest, for maximum – 100% will vest. Vesting will normally operate on a straight-line basis between these points.



In 2018, the board has undertaken a robust review of the performance criteria and targets setting approach to ensure LTIP performance criteria reflect a holistic assessment of the Group's performance, continue to reinforce Schneider Electric's strategy; encourage management to deliver steady and sustainable growth and better alignment with the shareholders.

These proposals will be implemented under the new LTIP resolution subject to its approval by the shareholders' at the 2019 Shareholders Meeting on 25 April 2019.

For 2019 LTIP share awards will be granted under the structure prescribed by the 2016 resolution and attached report to the shareholders (2015 registration document, pages 302 & subs.). The board however decided to apply in anticipation those changes that were compatible with the current authorisation, essentially the revised TSR pay out scale.

In order to align the interests of the Group's executives to those of the shareholders, in 2019 the board will allocate performance shares to more than 2,000 beneficiaries who hold positions as Group executives (Plans No. 32 and 33). For Group Senior Management, 100% of shares allocated will be subject to a set of performance criteria with targets set by the board for each performance criteria and measured over 3 years. The total number of shares to be granted in 2019 was capped at 2.4 million shares.

The volume of the allocation to the Corporate Officers, which would remain unchanged, was set with consideration for:

- The total volume of the previous plans, with a view toward continuity of the incentive policy for executives and competitiveness;
- The number of shares allocated to other Group executives who are eligible to the same multi-year profit-sharing plan: for 2019, the number of shares that may be allocated to the Corporate Officers in accordance with Plans No. 32 and 33 therefore would account for 3.6% of the total shares granted under all share plans; and
- the resulting cost for the Company.

## 7. Interests and compensation of Group Senior Management

100% measurable and quantifiable criteria

80% Financial & TSR and 20% Sustainability

Performance criteria and weightings applicable to the **2019 LTIP**:

- 40%, a target **improvement of Adj. EBITA margin (org.)**;
- 25%, a **cash conversion** target;
- 15%, a **relative TSR** performance of Schneider Electric vs a panel of 11 companies: ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa.
- 20%, an average annual progress of the **Schneider Sustainability Impact** indicator.

For Relative TSR criterion, overcompensation for exceptional performance will be permitted only if Schneider Electric's TSR is ranked within the top quartile of the peer group. There will be no pay-out at/or below rank 8 and automatic 3% adjustment rule (i.e. if results are closely clustered) is replaced by board judgment, based notably on the analysis of underlying Group performance.

The target values of each of these performance criteria and the vesting scale are set by the board based on the objectives for the year communicated to the market and will be detailed in the board's report at the Shareholders' Meeting once the performance period has finished.

The annual award to the Corporate Officers for 2019 remains the same as in 2018 – 60,000 shares for the Chairman and CEO and 26,000 shares for the Deputy CEO.

Corporate Officer	Number of Shares (Plan No. 32) <sup>(1)</sup>	Number of Shares (Plan No. 33)
Jean-Pascal Tricoire, Chairman & CEO	18,000	42,000
Emmanuel Babeau, Deputy CEO	7,800	18,200

(1) The performance shares granted only to Corporate Officers are subject to a one year holding period after expiry of the three-year vesting period.

The number of shares granted also represents a cap. Under no circumstances, including in case of overachievement of all targets, the number of shares acquired may exceed the number of shares granted.

### Pension

#### Purpose

The Corporate Officers have to build their own pension and to this end, are granted a combination of fixed and variable payments that are considered "other benefits" to ensure consistency and comparability with other French or international companies. The maximum annual Complementary Pension Cash Benefit for 2019 remains unchanged and is detailed in the table below. Variable portion is subject to the same performance criteria and targets as the Annual Incentive. The Corporate Officers have committed to depositing these additional payments, after taxes, into investment vehicles dedicated to the supplementary financing of their pensions.

Corporate Officer	Fixed portion	Target (% of Fixed)	Variable portion			Total at Target
			Minimum	At target	Maximum	
Jean-Pascal Tricoire, Chairman & CEO	€191,600	130%	€0	€249,080	€498,160	€440,680
Emmanuel Babeau, Deputy CEO	€153,300	100%	€0	€153,300	€306,600	€306,600

## Other benefits

### Employer Matching Contributions and Profit-Sharing

In financial year 2019, both Corporate Officers are eligible for profit-sharing and the employer matching contribution paid to subscribers to the capital increase reserved for employees.

Both Corporate Officers are also eligible for the employer matching contribution paid to subscribers to the collective pension fund (PERCO), for the retirement of employees in France.

### Company Car and Travel Expenses

Travel and business expenses for Messrs. Tricoire and Babeau are covered by the Group. The Corporate Officers may use the cars made available to Group Senior Management with or without chauffeur services. In addition, each has been provided with a company car. Neither is eligible to be reimbursed for other costs.

### Attendance fees

Mr. Tricoire has waived the attendance fees to which he is entitled in his capacity of Chairman of the board in pursuance of the distribution rules adopted by the board. Likewise, in accordance with the Group internal rules, Mr. Babeau will not receive attendance fees from any directorship in Group companies.

### Discretionary Awards

The board decided to maintain the prohibition of one-off payments that are not provided for in the compensation policy approved by the shareholders. This practice has been continued as it helps to ensure Schneider Electric pays for performance.

### Approach to compensation in case of an appointment of a new Corporate Officer

On appointment of a new Corporate Officer, the board expects any new Corporate Officer to be engaged on terms that are consistent with, and in no case more favorable than, the principles and criteria as approved by the shareholders at the last Shareholders' meeting, until the next Shareholder Meeting takes place. However, it is recognized that all circumstances in which Corporate Officer may be appointed cannot be anticipated. The board will aim to set compensation that is appropriate to attract, motivate, retain and reward an individual of the quality required to run the Group successfully, while avoiding paying more than is necessary. If the board determines that it is in the best interests of the Company and shareholders to secure the services of a particular individual not promoted within the Group, it may require to consider the terms of that individual's existing employment and/or their personal circumstances. Whilst acknowledging that the existing compensation structure is market competitive and in line with the principles set forth by the board, the board may have to review the criteria to drive 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.

## 7.5: Other Benefits Forming Part of the Status of the Corporate Officers (Regulated Agreements and Commitments)

Corporate Officers	Work contract	Top-hat pension benefits	Payments or benefits that may be due in the event of termination of assignment	Payments in relation to a non-compete agreement
Jean-Pascal Tricoire, Chairman & CEO	NO	NO <sup>(1)</sup>	YES	YES
Emmanuel Babeau, Deputy CEO	NO	NO <sup>(1)</sup>	YES	YES

(1) The board of directors of February 18, 2015 decided to put an end to the benefit of the top-hat pension plan for Corporate Officers.

### Termination of Assignment Agreements

In accordance with AFEP/MEDEF corporate governance code, **Jean-Pascal Tricoire** resigned from his work contract when he was reappointed Chairman of the management board on May 3, 2009. The supervisory board defined the benefits granted to him as Chairman of the management board. The 2009 Shareholder's Meeting approved the status as defined. This new status was renewed and approved by the Shareholders' Meeting in 2012 in relation to the renewal of Mr. Tricoire's term in office. Due to the change in governance, the status of Jean-Pascal Tricoire was renewed by the board of directors at its meetings on April 25 and June 18 and 19, 2013 and amended on October 24, 2013.

On this occasion, the board tightened the conditions under which benefits are granted to Mr. Tricoire if he leaves the Group. Accordingly, among other aspects, the performance conditions related to the Involuntary Severance Pay were made more stringent. In addition, Mr. Tricoire may retain the stock options and stock grants/performance stock grants allocated to him only in the event of involuntary severance. The Shareholders' Meeting of May 6, 2014 approved the 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.

## 7. Interests and compensation of Group Senior Management

**Regarding Emmanuel Babeau**, the board of directors approved his status at the time of the change of governance. This status was aligned, with certain limitations/reservations related to his status as an employee of Schneider Electric Industries SAS, with that of Mr. Tricoire. The Shareholders' Meeting of May 6, 2014 approved Mr. Babeau's new status. However, since Mr. Babeau had resigned from his employment contract with Schneider Electric Industries SAS, the board of directors of February 18, 2015 renewed Mr. Babeau's status, subject to adaptations pursuant to the removal of his employment contract and the loss of the "article 39" and "article 83" supplementary pension schemes.

Since then, Mr. Babeau's status is fully aligned to that of Mr. Tricoire.

In pursuance of Mr. Tricoire's re-election as a director at the Annual Shareholders' Meeting of April 25, 2017, the board decided to re-appoint both Mr. Tricoire and Mr. Babeau as, respectively, Chairman and Chief Executive Officer and Deputy-Chief Executive Officer. Their status was reviewed in the light of the latest best governance practices and the prescriptions of the AFEP-MEDEF corporate governance code. As a result:

- The board is entitled to unilaterally waive the non-compete agreement in case of departure of the Corporate Officer and must decide, at the time of departure of the Corporate Officer, on whether or not to apply this clause;
- The Corporate Officers' right to retain shares and stock options from plans granted after February 14, 2018 that would remain unvested or unexercised at the time of their involuntary severance, is now proportionate to the time of their presence during the acquisition or exercise period of the concerned share-based benefits. In compliance with the AFEP-MEDEF corporate governance code, the board may however decide, in a motivated resolution, that the departing Corporate Officer will be entitled, in specific circumstances, to keep all unvested shares or unexercised stock options, provided pre-set performance conditions are met.

### Involuntary Severance Pay

Messrs. Tricoire and Babeau are entitled to Involuntary Severance Pay, at a maximum equal to twice the average of their effective annual compensation (fixed and variable part) (i.e. including compensation and complementary payments) for the last 3 years (in cash to the exclusion of all other components), set by the board (hereafter, "Maximum Amount"), taking into account the non-compete compensation, if any, and subject to the attainment of performance conditions. As a result and in compliance with the AFEP-MEDEF corporate governance code, the aggregate amount of the Involuntary Severance Pay and the non-compete compensation, if any, shall not exceed the Maximum Amount.

In compliance with the AFEP-MEDEF corporate governance code, the Involuntary Severance Pay shall be paid only in case of forced departure and regardless of the form of the departure. A situation of forced departure is recognized in the following limited cases, corresponding to circumstances where the Corporate Officer's departure is the normal and necessary consequence of an event suffered by the Corporate Officer against his will:

- i. Dismissal, non-renewal or resignation as CEO or Deputy CEO in the 6 months following a material change in Schneider Electric's shareholder structure that could change the membership of the board of directors;
- ii. Dismissal, non-renewal or resignation as CEO or Deputy CEO in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in shareholder structure as described above; and
- iii. Dismissal, non-renewal or requested resignation as CEO or Deputy CEO when, on average, two-thirds of the Group performance criteria (to be distinguished from individual performance objectives) have been achieved for the last 4 financial years from the day of resignation.

The entitlement to Involuntary Severance Pay depends on the average rate of achievement of the Group's performance criteria (to be distinguished from individual performance objectives) used to determine the performance incentive for the last 3 financial years preceding the date of the board meeting at which the decision is made.

If the achievement rate of the Group criteria are...	Then...
Less than 66%	No compensation shall be awarded to the Corporate Officer
66%	The Corporate Officer shall receive 75% of the Maximum Amount
Between 66 and 100%	The Corporate Officer shall receive compensation calculated on a linear basis at a rate of 75 to 100% of the Maximum Amount
At least 100%	The Corporate Officer shall receive 100% of the Maximum Amount

In any case, involuntary severance pay will not be paid if the resignation is a consequence of wrongful or gross misconduct.

Corporate Officers are responsible for building their own pension and are would not be entitled to any pension benefits on top of the Involuntary Severance Pay.

The status of the Corporate Officers does not include any provision applicable in case of change of assignment within the Group.

### Non-Compete Compensation

Both Corporate Officers are bound by a non-compete agreement in case of resignation from the Group. The one-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 corporate governance code, the board will determine whether or not to apply the non-compete clause at the time of departure of the Corporate Officer.

### Retention of Stock Options, Stock Grants and Performance Shares

Messrs. Tricoire and Babeau are entitled to retain, subject to performance conditions, the benefit of their stock options, stock grants and performance shares already granted on February 14, 2018 in the event of involuntary severance during the vesting period or prior to having exercised said options. The foregoing will be applicable provided only that:

- The average rate of achievement of Group performance criteria that determine the performance incentive calculated for the last 3 financial years at the time of departure, is at least two-thirds of the objective; and
- The resignation is not the result of wrongful or gross misconduct.

With respect to plans granted after February 14, 2018, Messrs. Tricoire and Babeau are entitled to keep the benefit of such attributions of restricted shares or stock options in case of involuntary severance during their acquisition period, or before exercising the options concerned, in proportion of the time of their presence with the Company in any capacity during the acquisition or exercise period of such restricted shares or stock options. Their entitlement will be subject to the fulfillment of the performance conditions determined in the Plan.

In case the Corporate Officer's involuntary departure results from any material change in Schneider Electric's shareholding structure or from a reorientation of the strategy pursued and promoted by him (both cases as defined in paragraphs i. and ii. in relation to Involuntary Severance Pay), the board may decide to grant him the right to keep the benefit of all such restricted shares or stock-options previously granted to him, provided however the arithmetic average rate of achievement of the Group performance objectives used to determine the annual incentive in cash for the last 3 financial years completed on the date of his departure, amounts to at least two-thirds of the target figure, and that his departure is not the result of gross negligence or serious misconduct. The board shall motivate its decision.

### Health, Life and Disability schemes

As Corporate Officers, Messrs. Tricoire and Babeau are eligible to:

- 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;
- Additional coverage of the Group's French executives for risks of illness, incapacity, disability and death. The main features of this coverage are:
  - 1) In case of illness or accident resulting in a temporary stoppage or incapacity (of any category), the Corporate Officer shall be entitled to continue to receive 18 months' worth of his compensation (fixed and target variable) authorized by the board,
  - 2) In case of death, the policyholder's beneficiaries shall be entitled to the compensation (fixed and target variable) authorized by the board of directors for the current month, along with a death benefit equal to 6 months of the average compensation authorized by the board of directors (monthly average of the fixed and variable compensation paid during the last 12 months of employment);
- 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;
- 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;
- 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 fulfillment of 1 of the following conditions:

- the average of the net income of the last 5 financial years preceding the event is positive;
- the average of the free cash flow of the last 5 financial years preceding the event is positive.

The status of the Corporate Officers is described in the Statutory Auditors' special Report prepared in accordance with article L.225-40 of the French Commercial Code which will be submitted to the shareholders for approval at the 2019 Annual General Meeting on April 25, 2019, under the 4<sup>th</sup> resolution.

## 7. Interests and compensation of Group Senior Management

### 7.6: Compensation of the members of the board of directors

#### Members of the board of directors

On April 25, 2017, the Annual Shareholders' Meeting set total attendance fees at EUR2,000,000 in order to include the specific fee paid to the Vice-Chairman independent lead director, as per current market practices, and also to take into account the increase of the workload of the directors and to attract international competences.

The rules applicable to the attendance fees earned in 2017 and paid in 2018 have overall been maintained for the calculation of the attendance fees earned in 2018 and paid in 2019, to the exception of the additional fee payable for attending meetings of the committees:

a) for members of the board:

- a fixed sum of EUR25,000 (prorated, where appropriate, for any term that starts or ends during the year), an additional amount of:
  - EUR7,000 for attending Board meetings,
  - EUR4,000 for attending the meetings of the committees of which they are members (vs. EUR5,000 in the previous year);
- for each session (committee meetings included, if any) of the board or of a committee that a board member physically attends, an additional sum of:
  - for intercontinental travel, EUR5,000 per meeting day (e.g. USA – France),
  - for intra-continental travels, EUR3,000 per meeting day (e.g. Switzerland – France);
- for the Chairperson of the Audit committee, an additional fixed compensation of EUR20,000 on a full-year basis,
- for the Chairperson of the Human Resources and CSR committee, additional fixed compensation of EUR15,000 on a full-year basis,
- for the Chairperson of the Strategy/Investment Committee, additional fixed compensation of EUR15,000 on a full-year basis,
  - for the independent lead director, who is also the Chairperson of the Governance and remunerations committee, additional fixed compensation of EUR250,000 on a full-year basis (in conformity with what had been announced at the 2017 General Meeting);

b) for non-voting members, a fixed share of EUR20,000, unless they are co-opted to become director at the next general meeting, 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 2018 (the attendance fees earned in 2017 being subject to the former rules), and noting that Jean-Pascal Tricoire and Xiaoyun Ma waived payment of their attendance fees, attendance fees earned in 2017 and 2018 were as follows:

Members of the board	Amounts paid/due for fiscal year 2018 <sup>(1)</sup>	Amounts paid/due for fiscal year 2017 <sup>(1)</sup>
<b>Mr. APOTHEKER</b>		
Attendance fees	EUR398,000	EUR337,233
Other compensation:		
As per regulated agreement (until April 25, 2017)		EUR83,320
<b>Ms. ATKINS</b>		
Attendance fees	EUR115,000	EUR97,000
Other compensation		
<b>Ms. CABANIS</b>		
Attendance fees	EUR133,000	EUR110,753
Other compensation		
<b>Mr. FONTANET</b>		
Attendance fees	EUR26,493	EUR114,000
Other compensation		
<b>Mr. GOSSET-GRAINVILLE</b>		
Attendance fees	EUR113,000	EUR97,000
Other compensation		
<b>Ms. HERBAUT<sup>(4)</sup></b>		
Attendance fees	–	EUR33,877
Other compensation		
<b>Mr. KINDLE</b>		
Attendance fees	EUR166,356	EUR138,000
Other compensation		

Members of the board	Amounts paid/due for fiscal year 2018 <sup>(1)</sup>	Amounts paid/due for fiscal year 2017 <sup>(1)</sup>
<b>Mr. KISSLING</b>		
Attendance fees	EUR164,000	EUR148,000
Other compensation		
<b>Ms. KNOLL</b>		
Attendance fees	EUR164,000	EUR186,000
Other compensation		
<b>Ms. KOPP</b>		
Attendance fees	EUR32,808	EUR89,000
Other compensation		
<b>Mr. DE LA MARTINIÈRE</b>		
Attendance fees	–	EUR40,178
Other compensation		
<b>Mr. LACHMANN<sup>(2)</sup></b>		
Attendance fees	EUR6,247	EUR25,000
Pension (article 39) <sup>(3)</sup>	EUR181,766	EUR581,969
<b>Mrs. MA</b>		
Attendance fees	–*	–*
<b>Mr. MONTIER<sup>(4)</sup></b>		
Attendance fees	EUR105,000	EUR21,877
Other compensation		
<b>Ms. PELLERIN</b>		
Attendance fees	EUR101,260	–
Other compensation		
<b>Mr. RUNEVAD</b>		
Attendance fees	EUR88,260	–
Other compensation		
<b>Mr. SPIERKEL</b>		
Attendance fees	EUR182,356	EUR159,000
Other compensation		
<b>Mr. TAN</b>		
Attendance fees	EUR24,726	–
Other compensation		
<b>Mr. TRICOIRE</b>		
Attendance fees	–*	–*

(1) Attendance fees for the year are paid at the beginning of the following year.

(2) Non-voting member.

(3) Paid by the insurance company and pro-rated.

(4) Ms. Herbaut, Ms. Ma and Mr. Montier, who are also employed by a Group subsidiary, receive compensation for such employment.

\* Mr. Tricoire and Ms. Ma waived their right to receive their attendance fees.

Henri Lachmann, as a former manager of the Group, had a supplementary retirement pension (article 39).

On May 6, 2014, the board of directors appointed Léo Apotheker as Vice-Chairman independent lead director, replacing Henri Lachmann. He was renewed as a director at the Shareholders' Meeting of April 25, 2016 and subsequently, in his position of Vice-Chairman independent lead director. The board of directors set the compensation for his duties as Vice-Chairman independent lead director, as defined in the articles of association and internal regulations and procedures of the board, at EUR250,000 per year, and approved the conclusion of a new regulated agreement which was approved by the shareholders at the Shareholders' Meeting of April 25, 2017. The said regulated agreement expired on April 25, 2017 and was not renewed. It has been decided that, in accordance with current market practices, the same amount would be paid in the form of an additional attendance fee, starting from the date of expiry of the regulated agreement (see report of the board of directors to the Annual Shareholders' Meeting of April 25, 2017, registration document 2016, page 320).

## 7. Interests and compensation of Group Senior Management

The board also provided that Léo Apotheker could, in the performance of his duties as Vice-Chairman lead director, use certain resources of the Group's management.

The total amount of attendance fees due for 2018 represents EUR1,820,506, below the maximum authorized by the Annual Shareholders' Meeting.

However, in anticipation of the increase of the board size and of the number of meetings of the committees from 2019 onwards – notably due to the creation of the digital committee in 2018 and the fact that most members of the board participate to two or three committees – the current cap of attendance fees is likely to be exceeded in the near future, even though the allocation rules would remain unchanged. These rules ensure that board members receive a fair compensation, given the time-commitment and level of responsibility involved and the quality of the contributions. It is therefore proposed to increase such cap to EUR 2,500,000 (see 13<sup>th</sup> resolution, page 390).

### 7.7: Compensation of Group Senior Management (excluding Corporate Officers)

#### Scope of Senior Management

On December 31, 2018, Senior Management included the Chairman and CEO, Deputy CEO and other Executive Committee members (13 members, excluding the Chairman and CEO). The Executive Committee is chaired by the Chairman and CEO. From January 2019, it includes, in addition to the Chairman and CEO and Deputy CEO, who is also in charge of Finance and Legal Affairs:

- Executive Vice-Presidents of Businesses: Industrial Automation, Energy Management and Services
- Executive Vice-Presidents of Operations: North America Operations – China Operations – France Operations – Europe Operations – International Operations
- Executive Vice-Presidents of Corporate Functions: Global Supply Chain – Digital – Strategy – Marketing – Global Human Resources – Innovation.

In December 2018, 23% of the group senior management (excluding the Chairman and CEO) were women. From January 1, 2019, with the nomination of Barbara Frei as a member of the Executive Committee, the proportion of women increased to 29%.

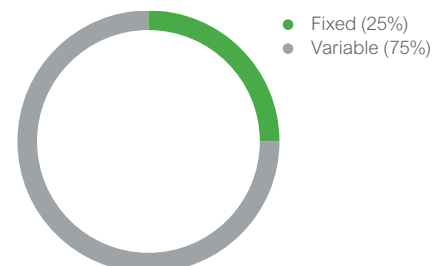
#### 2018 Compensation policy

The compensation principles of Group Senior Management (excluding the Corporate Officers) and their individual compensation packages 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 call upon external experts for specific topics and benchmarking data and analyses.

The compensation policy of the Group Senior Management follows the same principles as for Corporate Officers: competitiveness, pay-for-performance and alignment with shareholders' long-term interests as explained in section 7.1 of this registration document, with the following specific features:

- The competitiveness of their compensation is considered by comparing with a relevant benchmarking panel, taking into account the geography and the scope of responsibilities, and based on advice from the Willis Towers Watson consulting firm;
- The proportion of variable components within their compensation package is (on average) 75% vs. around 80% for the Chairman & CEO.



#### Compensation paid in 2018

Gross compensation, including benefits in kind, paid by Group companies in 2018 to members of the Group Senior Management, other than Corporate Officers, amounted to EUR17.3 million, of which EUR5.5 million correspond to variable compensation.

The performance criteria applicable to the annual variable compensation for the financial year 2018 were:

- Group organic sales growth;
- Improvement of Group Adj EBITA margin (org.);
- Group cash conversion rate;
- Field services sales growth (without process automation);
- Systems commercial margin improvement;
- Digital index;
- «Schneider Sustainability Impact» score.

#### Long-term incentive plans

Performance shares were granted in 2018. As of December 31, 2018, as part of the Long-term Incentive plan, Group Senior Management other than senior Corporate Officers, held:

- 722,622 shares, of which 599,500 are conditional;
- 113 share options;
- 92,680 Stock Appreciation Rights (SARs).



## Pension benefits

Schneider Electric policy concerning pension benefits states that:

- the Group's Senior Management not subject to the French Social Security System are covered by pension plan arrangements in line with local practices in their respective countries;
- the Group's Senior Management subject to the French Social Security system, with the exception of Corporate Officers, are covered by the supplementary defined-contribution pension (article 83) plans for employees, and/or Group Senior Management. Their defined-benefit pension plan (article 39) was canceled on March 22, 2016.

## 7.8: Transactions in Schneider Electric SE shares by Corporate Officers and by closely associated persons during the 2018 financial year

### Shareholding Requirement

Mr. Tricoire is required to hold Schneider Electric shares with a value representing at least 3 times his base salary. Mr. Babeau is required to hold shares with a value representing at least twice his base salary. The number of shares to be retained is determined at the beginning of the calendar year, based on the VWAP average stock price for the past calendar year (see page 365 for details).

### Transactions declared in application of article L.621-18-2 of the French Monetary and Financial Code

The following table details Schneider Electric stock transactions conducted by the Corporate Officers and those closely related to them:

Date	Name	Transaction Type	Unit Price	Total transaction amount
18/02/2018	Tricoire	Buy (LTIP)	–	–
14/03/2018	Tricoire	Disposal	€70.9805	€837,144.02
16/03/2018	Tricoire	Disposal	€71.5646	€844,032.89
31/03/2018	Tricoire	Buy (LTIP)	–	–
04/05/2018	Tricoire	Disposal	€73.9373	€2,422,185.95
09/05/2018	Tricoire	Exercise of stock options	€23.78	€1,875,100.56
10/05/2018	Tricoire	Disposal*	€160.628	€226,671.70
10/07/2018	Tricoire	Buy***	€64.47	€56,155.30
10/07/2018	Tricoire	Buy***	€64.47	€10,226.88
27/08/2018	Tricoire	Exercise of stock options	€34.62	€527,262.60
10/09/2018	Tricoire	Exercise of stock options	€34.62	€519,300.00
29/10/2018	Tricoire	Exercise of stock options	€34.62	€779,469.30
29/11/2018	Tricoire	Exercise of stock options	€34.62	€1,964,996.58
18/02/2018	Babeau	Buy (LTIP)	–	–
21/02/2018	Babeau	Disposal	€71.8871	€3,306,806.60
03/05/2018	Babeau	Buy	€73.9521	€1,499,748.59
03/05/2018	Babeau	Disposal	€73.9433	€1,499,570.12
10/07/2018	Babeau	Buy***	€64.47	€10,226.88
25/04/2018	Apotheker	Disposal	€75.0495	€78,801.98
27/07/2018	Apotheker	Disposal	€69.7674	€74,999.96
27/07/2018	Kissling	Buy	€69.43	€41,658.00
31/03/2018	Ma	Buy (LTIP)	–	–
17/05/2018	Ma	Disposal	€76.5	€114,750.00
10/07/2018	Ma	Buy***	€64.47	€4,026.15
28/12/2018	Ma	Exercise of stock options	€23.78	€70,388.8
28/12/2018	Ma	Disposal	€59.1998	€175,231.41
19/04/2018	Montier	Disposal**	€75.5251	€11,670.03
10/07/2018	Montier	Buy***	€64.47	€18,575.10
17/05/2018	Pellerin	Buy	€76.32	€72,732.96
18/05/2018	Pellerin	Buy	€77.7	€1,554.00
19/05/2018	Pellerin	Buy	€77.88	€2,102.76
21/05/2018	Runevad	Buy	€78.1	€78,100.00

\* Disposal of shares in Schneider Electric's FCPE equivalent to 1411.16 Schneider Electric shares at the date of the transaction.

\*\* Disposal of shares in Schneider Electric's FCPE equivalent to 74.53 Schneider Electric shares at the date of the transaction.

\*\*\* Subscription to Schneider Electric's WESOP, effective as of July 10, 2018 pursuant to orders made irrevocably on or before June 6, 2018.

## 8. Regulated agreements and commitments

# 8. Regulated agreements and commitments

### 8.1: Agreements and commitments of the 2018 financial year, not approved by the Annual Shareholders' Meeting

None.

### 8.2: Agreements and commitments signed during previous years and approved by the Annual Shareholders' Meeting

#### Reiteration and amendment of the Corporate Officers' status (Mr. Jean-Pascal Tricoire and Mr. Emmanuel Babeau)

Pursuant to the provisions of the TEPA Act, at its meetings of April 25, June 18 and 19, 2013, October 24, 2013 and February 18, 2015, the board of directors:

- renewed the status of Jean-Pascal Tricoire as adopted by the supervisory board in 2012 subject to a number of adjustments primarily related to new recommendations of the AFEP/MEDEF Code;
- adopted the status of Mr. Emmanuel Babeau at the level of Schneider Electric SE when he resigned from Schneider Electric Industries SAS;
- put an end, for the Corporate Officers, to the benefit of the top-hat pension schemes (Article 39) implemented in 1995 and 2012, except for life and disability coverage (death, invalidity) provided thereunder.

The Annual Shareholders' Meeting on May 6, 2014, pursuant to its 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> 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 (5<sup>th</sup> and 6<sup>th</sup> resolutions).

Since these decisions, Mr. Tricoire's and Mr. Babeau's status have been strictly aligned.

The board of directors at its meeting of April 25, 2017, held after the Annual Shareholders' Meeting, took note of the renewal of the directorship of Mr. Tricoire and subsequently decided to renew the terms of Mr. Tricoire and Mr. Babeau as, respectively, Chairman and CEO and Deputy CEO, and further, to reiterate the elements of the status granted to them, subject to an amendment concerning the right of the board of directors to waive unilaterally the non-compete agreement in case of departure of a Corporate Officer.

The board noted that the continuation of their functions under the same conditions of competitiveness, stability and exclusivity was essential to the implementation of the Group development strategy defined by the board and in the interest of the Group.

The change in the Corporate Officers' status was approved by the shareholders at the Annual Shareholders' Meeting of April 24, 2018, under the 4<sup>th</sup> and 5<sup>th</sup> resolutions.

### 8.3: Agreements and commitments of the 2018 financial year, approved by the Annual Shareholders' Meeting

#### Further amendment of the Corporate Officers' status (Mr. Jean-Pascal Tricoire and Mr. Emmanuel Babeau)

On February 14, 2018, the board further reviewed the status of the Corporate Officers and amended the scope of the right granted to them to retain, in case of involuntary severance, the free or performance shares or the stock options that would have been granted to them and that would have remained unvested or unexercised at the time of departure.

The Corporate Officers' right to retain shares and options granted as part of plans issued after February 14, 2018, that would remain unvested or unexercised at the time of their involuntary severance, has been made proportionate to their time of presence within the Group during the vesting or acquisition period of the shares and options concerned. In accordance with the guidelines of the AFEP/MEDEF Corporate Governance Code, the board may however decide, in specific circumstances and via a motivated resolution, that the concerned corporate officer will be entitled to keep all shares or options granted, provided pre-set performance conditions are satisfied.

In pursuance of the changes made to the status of the Corporate Officers in April 2017 as detailed in paragraph 8.2 above, and in February 2018 as detailed herein, that were approved at the Annual Shareholders' Meeting of April 24, 2018 under the 4<sup>th</sup> and 5<sup>th</sup> resolutions, the Corporate Officers' status is fully aligned with the recommendations of AMF and of the AFEP/MEDEF Corporate Governance Guidelines (cf. page 258).

### 8.4: Agreements and commitments of the 2019 financial year

None

## 9. Participation of shareholders to Shareholders' Meeting

# 9. Participation of shareholders in Shareholders' Meeting

*The provisions of the Articles of Association providing for the specific modalities for shareholders to participate in Shareholder's Meeting are described on pages 357.*

# 10. Table summarizing outstanding delegations relating to share capital increases granted by Shareholders' Meeting

*The table summarizing the outstanding delegations granted by the Shareholders' Meeting in matter of share capital increases, in application of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code, and stating the use of these delegations during the past financial year is described on pages 360.*

# 11. Publication of information of Article L. 225-37-5 of the French Commercial Code

Items that could have an impact in the event of a public tender offer include:

- agreements calling for payments to the corporate officers (see pages 258 and 266) 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 "Market risks" page 73);
- statutory restrictions in the Articles of Association on the exercise of voting rights (see page 358) relating to the non-application of the ceiling on voting rights when a public tender offer is successfully completed.

# Consolidated financial statements at December 31, 2018

# 5

## In this section

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## 1. Consolidated statement of income

# 1. Consolidated statement of income

<i>(in millions of euros except for earnings per share)</i>	Note	Full year 2018	Full year 2017
<b>Revenue</b>	3	<b>25,720</b>	<b>24,743</b>
Cost of sales		(15,677)	(15,245)
<b>Gross profit</b>		<b>10,043</b>	<b>9,498</b>
Research and development expenses	4	(597)	(501)
Selling, general and administrative expenses		(5,572)	(5,346)
<b>Adjusted EBITDA*</b>	3	<b>3,874</b>	<b>3,651</b>
Other operating income and expenses	6	(103)	(15)
Restructuring costs		(198)	(286)
<b>EBITA**</b>		<b>3,573</b>	<b>3,350</b>
Amortization expenses and impairment loss of purchase accounting intangible assets	5	(177)	(140)
<b>Operating income</b>		<b>3,396</b>	<b>3,210</b>
Interest income		53	51
Interest expense		(235)	(270)
<b>Finance costs, net</b>		<b>(182)</b>	<b>(219)</b>
Other financial income and expense	7	(128)	(148)
<b>Net financial income/(loss)</b>		<b>(310)</b>	<b>(367)</b>
<b>Profit from continuing operations before income tax</b>		<b>3,086</b>	<b>2,843</b>
Income tax expense	8	(693)	(600)
Income of discontinued operations, net of income tax	1	(23)	(94)
Share of profit/(loss) of associates and joint ventures	12	61	61
<b>PROFIT FOR THE PERIOD</b>		<b>2,431</b>	<b>2,210</b>
<i>attributable to owners of the parent</i>		2,334	2,150
<i>attributable to non-controlling interests</i>		97	60
Basic earnings (attributable to owners of the parent) per share (in euros per share)	19.2	4.21	3.85
Diluted earnings (attributable to owners of the parent) per share (in euros per share)	19.2	4.16	3.81

\* Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles).  
Adjusted EBITA corresponds to operating profit before amortization expenses and impairment loss 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

<i>(in millions of euros)</i>	Note	Full year 2018	Full year 2017
<b>Profit for the year</b>		<b>2,431</b>	<b>2,210</b>
<b>Other comprehensive income:</b>			
Translation adjustment		307	(1,517)
Cash-flow hedges		(23)	(94)
Income tax effect of cash-flow hedges	19.6	(6)	32
Net gains/(losses) on financial assets		(9)	(6)
Income tax effect of gains/(losses) on financial assets	19.6	–	–
Actuarial gains/(losses) on Defined Benefit plans	20.1	285	48
Income tax effect of actuarial gains/(losses) on Defined Benefit plans	19.6	(61)	(182)
<b>Other comprehensive income for the year, net of tax</b>		<b>493</b>	<b>(1,719)</b>
<i>of which to be recycled in income statement</i>		270	(1,585)
<i>of which not to be recycled in income statement</i>		223	(134)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,924</b>	<b>491</b>
<i>Attributable to owners of the parent</i>		2,793	445
<i>Attributable to non-controlling interests</i>		131	46

The accompanying notes are an integral part of the consolidated financial statements.

## 2. Consolidated statement of cash flows

# 2. Consolidated statement of cash flows

<i>(in millions of euros)</i>	Note	Full year 2018	Full year 2017
<b>Profit for the year</b>		<b>2,431</b>	<b>2,210</b>
Losses/(gains) from discontinued operations		23	94
Share of (profit)/losses of associates		(61)	(61)
Income and expenses with no effect on cash flow:			
Depreciation of property, plant and equipment	11	386	387
Amortization of intangible assets other than goodwill	10	474	399
Impairment losses on non-current assets		66	68
Increase/(decrease) in provisions	21	(83)	(69)
Losses/(gains) on disposals of assets		(3)	(93)
Difference between tax paid and tax expense		90	48
Other non-cash adjustments		82	37
<b>Net cash provided by operating activities</b>		<b>3,405</b>	<b>3,020</b>
Decrease/(increase) in accounts receivable		(51)	(257)
Decrease/(increase) in inventories and work in progress		(287)	(173)
(Decrease)/increase in accounts payable		(98)	304
Decrease/(increase) in other current assets and liabilities		(97)	47
<b>Change in working capital requirement</b>		<b>(533)</b>	<b>(79)</b>
<b>TOTAL I – CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,872</b>	<b>2,941</b>
Purchases of property, plant and equipment	11	(486)	(434)
Proceeds from disposals of property, plant and equipment		54	61
Purchases of intangible assets	10	(338)	(315)
Proceeds from disposals of intangible assets		–	–
<b>Net cash used by investment in operating assets</b>		<b>(770)</b>	<b>(688)</b>
Acquisitions & disposals of businesses, net of cash acquired & disposed	2.2	(730)	(416)
Other long-term investments		(31)	26
Increase in long-term pension assets		(174)	(160)
<b>Sub-total</b>		<b>(935)</b>	<b>(550)</b>
<b>TOTAL II – CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(1,705)</b>	<b>(1,238)</b>
Issuance of bonds	22	740	740
Repayment of bonds	22	(749)	(1,025)
Sale/(purchase) of own shares		(829)	(171)
Increase/(decrease) in other financial debt		220	111
Increase/(decrease) of shares capital		164	161
Dividends paid by Schneider Electric SE	19	(1,223)	(1,133)
Dividends paid to non-controlling interests		(80)	(64)
Purchases of minority interests	2.2	–	(141)
<b>TOTAL III – CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(1,757)</b>	<b>(1,522)</b>
<b>TOTAL IV – NET FOREIGN EXCHANGE DIFFERENCE</b>		<b>61</b>	<b>(33)</b>
<b>TOTAL V – EFFECT OF DISCONTINUED OPERATIONS</b>		<b>(7)</b>	<b>89</b>
<b>INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS: I +II +III +IV +V</b>		<b>(536)</b>	<b>237</b>
Net cash and cash equivalents at January 1		2,767	2,530
Increase/(decrease) in cash and cash equivalents		(536)	237
<b>NET CASH AND CASH EQUIVALENTS AT DECEMBER 31</b>	18	<b>2,231</b>	<b>2,767</b>

The accompanying notes are an integral part of the consolidated financial statements.



## 3. Consolidated balance sheet

## 3. Consolidated balance sheet

## Assets

<i>(in millions of euros)</i>	Note	Dec. 31, 2018	Dec. 31, 2017
<b>NON-CURRENT ASSETS</b>			
Goodwill, net	9	18,373	16,423
Intangible assets, net	10	4,874	4,335
Property, plant and equipment, net	11	2,521	2,490
<b>Total tangible and intangible assets</b>		<b>7,395</b>	<b>6,825</b>
Investments in associates and joint ventures	12	530	547
Non-current financial assets	13	665	436
Deferred tax assets	14	2,040	2,097
<b>TOTAL NON-CURRENT ASSETS</b>		<b>29,003</b>	<b>26,328</b>
<b>CURRENT ASSETS</b>			
Inventories and work in progress	15	3,091	2,844
Trade and other operating receivables	16	5,804	5,763
Other receivables and prepaid expenses	17	1,910	1,693
Current financial assets		30	32
Cash and cash equivalents	18	2,361	3,045
<b>TOTAL CURRENT ASSETS</b>		<b>13,196</b>	<b>13,377</b>
<b>Assets of discontinued operations</b>		<b>60</b>	<b>144</b>
<b>TOTAL ASSETS</b>		<b>42,259</b>	<b>39,849</b>

The accompanying notes are an integral part of the consolidated financial statements.

## 3. Consolidated balance sheet

## Liabilities

<i>(in millions of euros)</i>	Note	Dec. 31, 2018	Dec. 31, 2017
<b>EQUITY</b>	19		
Share capital		2,317	2,388
Additional paid-in capital		2,977	5,147
Retained earnings		15,721	12,768
Translation reserve		(233)	(506)
<b>Equity attributable to owners of the parent</b>		<b>20,782</b>	<b>19,797</b>
Non-controlling interests		1,482	145
<b>TOTAL EQUITY</b>		<b>22,264</b>	<b>19,942</b>
<b>NON-CURRENT LIABILITIES</b>			
Pensions and other post-employment benefit obligations	20	1,558	1,783
Other non-current provisions	21	1,253	1,431
<b>Total non-current provisions</b>		<b>2,811</b>	<b>3,214</b>
Non-current financial liabilities	22	5,923	5,650
Deferred tax liabilities	14	1,147	996
Other non-current liabilities		10	10
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,891</b>	<b>9,870</b>
<b>CURRENT LIABILITIES</b>			
Trade and other operating payables		4,142	4,148
Accrued taxes and payroll costs		2,194	2,250
Current provisions	21	878	842
Other current liabilities		1,232	1,018
Current debt	22	1,574	1,691
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,020</b>	<b>9,949</b>
<b>Liabilities of discontinued operations</b>		<b>84</b>	<b>88</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>42,259</b>	<b>39,849</b>

The accompanying notes are an integral part of the consolidated financial statements.

## 4. Consolidated statement of changes in equity

## 4. Consolidated statement of changes in equity

<i>(in millions of euros except for number of shares)</i>	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
<b>DEC. 31, 2016 PUBLISHED</b>	<b>592,499</b>	<b>2,370</b>	<b>6,232</b>	<b>(1,880)</b>	<b>12,775</b>	<b>997</b>	<b>20,494</b>	<b>159</b>	<b>20,653</b>
IFRS 9 restatement*					(100)		(100)		(100)
<b>JAN. 1, 2017 RESTATED</b>	<b>592,499</b>	<b>2,370</b>	<b>6,232</b>	<b>(1,880)</b>	<b>12,675</b>	<b>997</b>	<b>20,394</b>	<b>159</b>	<b>20,553</b>
Profit for the year					2,150		2,150	60	2,210
Other comprehensive income					(202)	(1,503)	(1,705)	(14)	(1,719)
<b>Comprehensive income for the year</b>					<b>1,948</b>	<b>(1,503)</b>	<b>445</b>	<b>46</b>	<b>491</b>
Capital increase	2,413	10	132				142		142
Exercise of stock option plans and performance shares	2,004	8	16		(6)		18		18
Dividends			(1,133)				(1,133)	(64)	(1,197)
Change in treasury shares				(154)	(17)		(171)		(171)
Share-based compensation expense					102		102		102
Other			(100)	(119)	219		–	4	4
<b>DEC. 31, 2017</b>	<b>596,916</b>	<b>2,388</b>	<b>5,147</b>	<b>(2,153)</b>	<b>14,921</b>	<b>(506)</b>	<b>19,797</b>	<b>145</b>	<b>19,942</b>
Profit for the year					2,334		2,334	97	2,431
Other comprehensive income					186	273	459	34	493
<b>Comprehensive income for the year</b>					<b>2,520</b>	<b>273</b>	<b>2,793</b>	<b>131</b>	<b>2,924</b>
Capital increase	2,407	10	144		–		154		154
Exercise of stock option plans and performance shares	1,846	1	9		–		10		10
Dividends			(1,107)		(116)		(1,223)	(80)	(1,303)
Change in treasury shares	(22,000)	(88)	(1,126)	(829)	1,214		(829)		(829)
Share-based compensation expense					131		131	4	135
AVEVA acquisition impact**					–		–	1,256	1,256
Other		6	(90)		33		(51)	26	(25)
<b>DEC. 31, 2018</b>	<b>579,169</b>	<b>2,317</b>	<b>2,977</b>	<b>(2,982)</b>	<b>18,703</b>	<b>(233)</b>	<b>20,782</b>	<b>1,482</b>	<b>22,264</b>

\* 2017 opening retained earnings were restated from IFRS9 adoption impacts (Note 1.1).

\*\* Cf. AVEVA's acquisition described in Note 2.2.

The accompanying notes are an integral part of the consolidated financial statements.

5. Notes to the consolidated financial statements

# 5. Notes to the consolidated financial statements

Note		Note			
1	Accounting Policies	283	16	Trade accounts receivable	302
2	Changes in the scope of consolidation	292	17	Other receivables and prepaid expenses	303
3	Segment reporting	293	18	Cash and cash equivalents	303
4	Research and development	294	19	Equity	303
5	Impairment losses, depreciation and amortization expenses	295	20	Pensions and other post-employment benefit obligations	308
6	Other operating income and expenses	295	21	Provisions for contingencies and charges	311
7	Other financial income and expense	295	22	Total current and non-current financial liabilities	312
8	Income tax expense	295	23	Classification of financial instruments	314
9	Goodwill	296	24	Employees	318
10	Intangible assets	297	25	Related party transactions	319
11	Property, plant and equipment	298	26	Commitments and contingent liabilities	319
12	Investments in associates and joint ventures	300	27	Subsequent events	319
13	Non-current financial assets	301	28	Statutory Auditors' fees	320
14	Deferred taxes by nature	301	29	Consolidated companies	321
15	Inventories and work in progress	302			

## Please note

All amounts in millions of euros unless otherwise indicated.

The following notes are an integral part of the consolidated financial statements.

The Schneider Electric Group's consolidated financial statements for the financial year ended December 31, 2018 were authorized for issue by the Board of Directors on February 13, 2019. They will be submitted to shareholders for approval at the Annual General Meeting of April 25, 2019.

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, 2018. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2017, except for the application of the new standard IFRS 15 – *Revenue from contracts with customers*.

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, 2018:

- IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*;
- amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*;
- amendments to IAS 40 – *Transfers of Investment Property*;
- annual improvements to IFRS Standards 2014-2016 Cycle (December 2016);
- amendments to IFRS 4 – *Apply IFRS 9 Financial instruments with IFRS 4 Insurance contracts*;

The Group did not apply the following standards and interpretations for which mandatory application is subsequent to December 31, 2018:

- standards adopted by the European Union:
  - amendments to IFRS 9 – *Prepayment Features with Negative Compensation*;
  - IFRS 16 – *Leases*;
  - IFRIC 23 – *Uncertainty over Income Tax Treatments*;
- standards not yet adopted by the European Union:
  - IFRS 17 – *Insurance Contracts*;
  - amendments to IAS 19 – *Plan Amendment, Curtailment or Settlement*;
  - amendments to *References to the Conceptual Framework in IFRS Standards*;
  - amendments to IAS 28 – *Long-term Interests in Associates and Joint Ventures*;
  - annual improvements to IFRS 2015-2017 Cycle (December 2017);
  - amendments to IFRS 10 and IAS 28 – *Sales or contributions of assets between an investor and its associate/joint venture*;
  - amendments to IFRS 3 – *Business Combinations*;
  - amendments to IAS 1 and IAS 8 – *Definition of materials*;

The Group is currently assessing the potential effect on the Group's consolidated financial statements of the standards not yet applicable as of December 31, 2018 (see below).

### Application of IFRS 9 – *Financial Instruments since 2017*

IFRS 9 – *Financial Instruments*, released by the IASB in July 2014 and adopted by the European Union on November 29, 2016, replaces IAS 39 – *Financial Instruments: Recognition and Measurement* with mandatory application from January 1, 2018. The new standard introduces: new principles for classification and measurement of financial instruments based on the Group's management intention and the nature of expected flows (phase 1); a dynamic impairment model for credit risk on financial assets based on expected losses (phase 2); new rules for hedge accounting (phase 3).

The first two phases were applied as of 2017.

The Group decided to first apply IFRS 9 standard on hedge accounting (phase 3) prospectively starting on January 1, 2018.

The implementation of IFRS 9 on hedge accounting has no material impact on the financial statements given the nature of derivatives used by Schneider Electric. The Group started in 2018 to document FX derivatives used to hedge financing transactions in Fair Value Hedge, so as to take advantage of the option offered by IFRS 9 enabling to amortize on a straight-line basis forward points over the life of the hedge within the cost of debt. The notes to financial statements were also updated as a consequence of the first application of IFRS 9 on hedge accounting.

### First Application of IFRS 15 – *Revenue from contracts with customers*

On October 29, 2016, the European Union adopted IFRS 15 – *Revenue from Contracts with Customers*, which is applied since January 1, 2018.

The Group has performed analysis on each of the revenue streams described in Note 1.24: transactional sales, service revenue and long-term contracts.

For transactional and services revenue, the Group accounting practices under IAS 18 were already compliant with the new standard.

The analysis carried out on the commercial rebates granted to certain distributors evidenced an undervaluation of the accruals for rebates, resulting in a decrease of EUR 129 million in the opening consolidated reserves (disclosed in the line "Others" on the statement of change in equity) as of December 31, 2018.

## 5. Notes to the consolidated financial statements

Regarding long-term contracts, IFRS 15 requires that both the existence of enforceable right to payment and the absence of alternative use are demonstrated, to be able to recognize revenue over time using the percentage of completion method. The Group has analyzed a representative sample of current contracts. This analysis has proven that the application of IFRS 15 requirements had no significant impact in comparison with the previous accounting practices. The Group has adjusted its long-term contracts internal processes to comply fully with all IFRS 15 requirements.

In conclusion, there is no significant deviation from IFRS 15 new requirements with regards to revenue recognition methods applied.

### IFRS 16 – Leases, applicable in 2019

IFRS 16 – Leases was adopted by the European Union on October 31, 2017, and will be mandatory for financial years beginning on or after January 1, 2019. This standard requires all leases to be recognized in the lessee's balance sheet in the form of a right-of-use asset, with a corresponding financial liability. Currently, leases classified as "operating leases" are reported as off-balance sheet items (see Note 11.3).

The Group's lease contracts essentially concern real estate assets (office buildings), and to a lesser extent vehicles and forklifts.

The Group has identified the potential impacts of the application of IFRS 16 and collected information about the features of operating leases in force to date. In 2018, the Group has adjusted its internal processes relating to lease information collection and accuracy.

The Group intends to apply this standard from January 1, 2019 without restating the figures for the comparative periods (modified retrospective approach).

The two exemptions proposed by the standard on the following contracts will be used:

- short-term leases, or with a residual maturity below twelve months
- leases for which the underlying asset is of low value

As a practical expedient, the Group will not reassess whether a contract is or contains a lease at the date of initial application.

Based on this work, application of IFRS 16 to the Group's financial statements would not have a significant impact on the Group adjusted EBITA and net result, and would increase net indebtedness between EUR 1.4 billion and EUR 1.8 billion at January 1, 2019.

### IFRIC 23 – Uncertainty over Income Tax Treatments, applicable in 2019

IFRIC 23 clarifies the application of IAS 12 – *Income Taxes* regarding recognition and measurement of taxes when there is uncertainty over the income tax treatment. The impact on the Group's valuation of tax exposure is expected to be limited.

### 1.2 – Application of IFRS 5 – Non-current assets held for sale and discontinued operations

On April 20, 2017, the Group announced its decision to dispose of its "Solar" activity. During the second semester of 2018, the Group disposed the "Mobile" line of business. The Group also decided to restructure the "Power Plant" line of business and to keep the "Commercial & Industrial" line of business under strategic review.

This activity used to be reported within the *Low Voltage* business segment of Schneider Electric. Solar activity net loss of EUR 23 million has been reclassified to discontinued operations in the Group consolidated financial statements.

### 1.3 – Basis of presentation

The financial statements have been prepared on a historical cost basis, except for derivative instruments and certain financial assets, which are measured at fair value. Financial liabilities are measured using the amortized cost model. The book value of hedged assets and liabilities, under fair-value hedge, corresponds to their fair value, for the part corresponding to the hedged risk.

### 1.4 – Use of estimates and assumptions

The preparation of financial statements requires Group and subsidiary management to make estimates and assumptions that are reflected in the amounts of assets and liabilities reported in the consolidated balance sheet, the revenues and expenses in the statement of income and the commitments 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 1.09 and 1.10) and the measurement of impairment losses (Note 1.11);
- the measurement of the recoverable amount of non-current financial assets (Note 1.12 and Note 13);
- the realizable value of inventories and work in progress (Note 1.13);
- the recoverable amount of trade and other operating receivables (Note 1.14);
- the valuation of share-based payments (Note 1.20);
- the calculation of provisions or risk contingencies (Note 1.21);
- the measurement of pension and other post-employment benefit obligations (Note 1.19 and Note 20);
- the recoverability of deferred tax assets related to tax loss carryforward (Note 14).

### 1.5 – Consolidation principles

Subsidiaries, over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated.

Group investments in entities controlled jointly with a limited number of partners, such as joint ventures and companies over which the Group has significant influence (“associates”) are accounted for by the equity method. Significant influence is presumed to exist when more than 20% of voting rights are held by the Group.

Companies acquired or sold during the year are included in or removed from the consolidated financial statements as of the date when effective control is acquired or relinquished.

Intra-group balances and transactions are eliminated.

The list of consolidated main subsidiaries, joint ventures and associates can be found in Note 29.

The reporting date for all companies included in the scope of consolidation is December 31, with the exception of certain immaterial associates accounted for by the equity method. For the latter however, financial statements up to September 30 of the financial year have been used (maximum difference of three months in line with the standards).

### 1.6 – Business combinations

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3 – *Business Combinations*. Acquisition costs are presented under “Other operating income and expenses” in the statement of income.

All acquired assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date, the fair value can be adjusted during a measurement period that can last for up to 12 months from the date of acquisition.

The excess of the cost of acquisition over the Group’s share in the fair value of assets and liabilities at the date of acquisition is recognized in goodwill. Where the cost of acquisition is lower than the fair value of the identified assets and liabilities acquired, the negative goodwill is immediately recognized in the statement of income.

Goodwill is not amortized, but tested for impairment at least annually and whenever there is an indication that it may be impaired (see Note 1.11 below). Any impairment losses are recognized under “Amortization expenses and impairment losses of purchase accounting intangible assets”.

### 1.7 – Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are prepared in euros.

The financial statements of subsidiaries that use another functional currency are translated into euros as follows:

- assets and liabilities are translated at the official closing rates;
- income statement, backlog and cash flow items are translated at average annual exchange rates.

Gains or losses on translation are recorded in consolidated equity under “Cumulative translation reserve”.

Impacts from the Group’s subsidiaries in hyperinflation economies (Venezuela and Argentina) are not significant for the Group.

### 1.8 – Foreign currency transactions

Foreign currency transactions are recorded using the exchange rate in effect at the date the transaction is recorded or at the hedging rate. At the balance sheet date, monetary items in foreign currency (eg. payables, receivables, etc.) are translated into the functional currency of the entity at the closing rate or at the hedging rate. Gains or losses on translation of foreign currency transactions are recorded under “Net financial income/ (loss)”. Foreign currency hedging is described below, in Note 1.23.

However, 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*. As such, the impact of exchange rate fluctuations is recorded in equity and recognized in the statement of income when the investment is sold or when the long-term receivable or loan is reimbursed.

### 1.9 – Intangible assets

#### Intangible assets acquired separately or as part of a business combination

Intangible assets acquired separately are initially recognized in the balance sheet at historical cost. They are subsequently measured using the cost model, in accordance with IAS 38 – *Intangible Assets*.

Intangible assets (mainly trademarks, technologies 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.

## 5. Notes to the consolidated financial statements

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 expenses and impairment losses on intangible assets acquired in a business combination are presented on a separate statement of income line item, "Amortization expenses and impairment losses of purchase accounting intangible assets".

### 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.

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.

Before the commercial launch, capitalized development projects are tested for impairment at least annually. From the date of the commercial launch, capitalized development projects are amortized over the lifespan of the underlying technology, which generally ranges from three to ten years. The amortization expenses of such capitalized projects are included in the cost of the related products and classified into "Cost of sales" when the products are sold.

#### Software implementation

External and internal costs relating to the implementation of Enterprise Resource Planning (ERP) applications are capitalized when they relate to the programming, coding and testing phase. They are amortized over the applications' useful lives. In accordance with paragraph 98 of IAS 38, the SAP bridge application currently being rolled out within the Group is amortized using the production unit method to reflect the pattern in which the asset's future economic benefits are expected to be consumed. Said units of production correspond to the number of users of the rolled-out solution divided by the number of target users at the end of the roll-out.

### 1.10 – Property, plant and equipment

Property, plant and equipment is primarily comprised of land, buildings and production equipment and is carried at cost, less accumulated depreciation and any accumulated impairment losses, in accordance with the recommended treatment in IAS 16 – *Property, plant and equipment*.

Each component of an item of property, plant and equipment with a useful life that differs from that of the whole item 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 and 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 be 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, with their counterpart being a financial debt, when 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.

### 1.11 – Impairment of assets

In accordance with IAS 36 – *Impairment of Assets*, the Group assesses the recoverable amount of its long-lived assets as follows:

- for all property, plant and equipment subject to depreciation and intangible assets subject to amortization, the Group carries out a review at each balance sheet date to assess whether there is any indication that they may be impaired. Indications of impairment are identified based on 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 assets 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 business plans 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. The WACC stood at 7.0% at December 31, 2018 (7.1% at December 31, 2017). This rate is based on (i) a long-term interest rate of 1.08%, 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 2018, and is completed by, for CGUs WACC only, (iii) the weighted country risk premium for the Group's businesses in the countries in question.

The perpetuity growth rate is 2.0%, unchanged from the previous financial year.

Impairment tests are performed at the level of the Cash-Generating Unit (CGU) to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. The cash-generating units are *Low Voltage*, *Medium Voltage*, *Industrial Automation* and *Secure Power*. 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 (*Low Voltage*, *Medium Voltage* and *Industrial Automation* mainly).

The WACC used to determine the value in use of each CGU was 7.6% for *Low Voltage*, 7.7% for *Industrial Automation*, 7.9% for *Secure Power*, and 8.0% for *Medium Voltage*.

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 fair value less costs to sell. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted from goodwill.

### 1.12 – Non-current financial assets

Investments in non-consolidated companies are initially recorded at their cost of acquisition and subsequently measured at fair value. The fair value of investments listed in an active market may be determined reliably and corresponds to the listed price at balance sheet date (Level 1 from the fair value hierarchy as per IFRS 7).

IFRS 9 standard allows two accounting treatments for equity instruments:

- change in fair value is recognized through "Other Comprehensive Income", in the comprehensive income statement, and, in balance sheet, in equity under "Other reserves", with no subsequent recycling in the income statement even upon sale.
- change in fair value, as well as gain or loss in case of sale, are recognized in the income statement.

The election between those two methods is to be made from inception for each equity investment and is irrevocable.

Venture capital (FCPR) / Mutual funds (SICAV) are recognized at fair value through income statement, in accordance with IFRS 9.

## 5. Notes to the consolidated financial statements

Loans, recorded under "Non-current financial assets", are carried at amortized cost. In accordance with IFRS 9, a depreciation is booked from inception to reflect the expected credit risk losses within 12 months. In case of significant degradation of the credit quality, the initial level of depreciation is modified to cover the entire expected losses over the remaining maturity of the loan.

### 1.13 – Inventories and work in progress

Inventories and work in progress are measured at the lower of their initial recognition cost (acquisition cost or production cost generally determined by the weighted average price method) or of their estimated net realizable value.

Net realizable value corresponds to the estimated selling price net of remaining expenses to complete and/or sell the products.

Inventory impairment losses are recognized in "Cost of sales".

The cost of work in progress, semi-finished and finished products, includes the cost of materials and direct labor, subcontracting costs, all production overheads based on normal manufacturing capacity and the portion of research and development costs that are directly related to the manufacturing process (corresponding to the amortization of capitalized projects in production and product and range of products maintenance costs).

### 1.14 – Trade and other operating receivables

Trade and other operating receivables are depreciated according to the simplified IFRS 9 model. From inception, trade receivables are depreciated to the extent of the expected losses over their remaining maturity.

The credit risk of trade receivables is assessed on a collective basis country by country, as the geographical origin of receivables is considered representative of their risk profile. Countries are classified by risk profile using the assessment provided by an external agency. The provision for expected credit losses is evaluated using (i) the probabilities of default communicated by a credit agency, (ii) historical default rates, (iii) aging balance, (iv) as well as the Group's assessment of the credit risk considering actual guarantees and credit insurance.

Once it is known with certainty that a doubtful receivable 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 discounting impact is significant.

### 1.15 – Assets held for sale and liabilities of discontinued operations

Assets held for sale are no longer amortized or depreciated and are recorded separately in the balance sheet under "Assets held for sale" at the lower of its amortized cost or net realizable value.

### 1.16 – Deferred taxes

Deferred taxes, related to temporary differences between the tax basis and accounting basis of consolidated assets and liabilities, are recorded using the balance sheet liability method. Deferred tax assets are recognized when it is probable that they will be recovered at a reasonably determinable date.

Future tax benefits arising from the utilization of tax loss carry forwards (including amounts available for carry forward without time limit) are recognized only when they can reasonably be expected to be realized.

Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities related to the same unit and which are expected to reverse in the same period are netted off.

### 1.17 – Cash and cash equivalents

Cash and cash equivalents presented in the balance sheet consist of cash, bank accounts, term deposits of three months or less and marketable securities traded on organized markets. Marketable securities are short-term, highly-liquid investments that are readily convertible to known amounts of cash at maturity. They notably consist of commercial paper, mutual funds and equivalents. Considering their nature and maturities, these instruments represent insignificant risk of changes in value and are treated as cash equivalents.

### 1.18 – Schneider Electric SE shares

Schneider Electric SE shares held by the parent company or by fully consolidated companies are measured at acquisition cost and deducted from equity. They are held at their acquisition cost until sold.

Gains/(losses) on the sale of own shares are canceled from consolidated reserves, net of tax.

### 1.19 – Pensions and other employee benefit obligations

Depending on local practices and laws, the Group's subsidiaries participate in pension, termination benefit and other long-term benefit plans. Benefits paid under these plans depend on factors such as seniority, compensation levels and payments into mandatory retirement programs.

### Defined contribution plans

Payments made under defined contribution plans are recorded in the income statement, in the year of payment, and are in full settlement of the Group's liability. As the Group is not committed beyond these contributions, no provision related to these plans has been booked.

In most countries, the Group participates in mandatory general plans, which are accounted for as defined contribution plans.

### Defined Benefit plans

Defined Benefit plans are measured using the projected unit credit method.

Expenses recognized in the statement of income are split between operating income (for service costs rendered during the period) and net financial income/(loss) (for financial costs and expected return on plan assets).

The amount recognized in the balance sheet corresponds to the present value of the obligation, and net of plan assets.

When this is an asset, the recognized asset is limited to the present value of any economic benefit due in the form of plan refunds or reductions in future plan contributions.

Changes resulting from periodic adjustments to actuarial assumptions regarding general financial and business conditions or demographics (*i.e.*, changes in the discount rate, annual salary increases, return on plan assets, years of service, etc.) as well as experience adjustments are immediately recognized in the balance sheet as a separate component of equity in "Other reserves" and in comprehensive income as "Other comprehensive income/loss".

### Other commitments

Provisions are funded and expenses recognized to cover the cost of providing health-care benefits for certain Group retirees in Europe and the United States. The accounting policies applied to these plans are similar to those used to account for Defined Benefit pension plans.

The Group also funds provisions for all its subsidiaries to cover seniority-related benefits (primarily long service awards for its French subsidiaries). Actuarial gains and losses on these benefit obligations are fully recognized in profit or loss.

### 1.20 – Share-based payments

The Group grants performance shares to senior executives and certain employees.

Pursuant to the application of IFRS 2 – *Share-based payments*, these plans are measured on the date of grant and an employee benefits expense is recognized on a straight-line basis over the vesting period, in general three or four years depending on the country in which it is granted.

The Group uses the Cox-Ross-Rubinstein binomial model to measure these plans.

For performance shares and stock options, this expense is offset in the equity. In the case of stock appreciation rights, a liability is recorded corresponding to the amount of the benefit granted, re-measured at each balance sheet date.

As part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase shares at a discounted price (Note 19.4).

### 1.21 – Provisions and risk contingencies

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. A provision is recognized when it is probable that the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 the impact from discounting is significant.

Provisions are primarily set aside to cover:

- **economic risks:** these provisions cover tax risks and financial risks arising primarily from litigation;
- **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.

## 5. Notes to the consolidated financial statements

### 1.22 – Financial liabilities

Financial liabilities primarily comprise bonds and short- and long-term bank borrowings. These liabilities are initially recorded at fair value, from which any direct transaction costs are deducted. Subsequently, they are measured at amortized cost based on their effective interest rate.

### 1.23 – Financial instruments and derivatives

Risk hedging management is centralized. The Group's policy is to use derivative financial instruments exclusively to manage and hedge changes in exchange rates, interest rates or prices of certain raw materials. The Group accordingly uses instruments such as FX forwards, FX options, cross currency swaps, interest rate swaps and commodities future, swaps or options, depending on the nature of the exposure to be hedged.

All derivatives are recorded in the balance sheet at fair value with changes in fair value recorded in the statement of income, except when they are qualified in a hedging relationship.

#### Foreign currency hedges

The Group periodically enters into FX 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. In this case, the Group does not apply hedge accounting because gains and losses generated on these instruments naturally offset within "Net financial income/(loss)" with gains or losses resulting from the translation at end-of-year rates of payables and receivables denominated in foreign currency.

The Group also hedges future cash flows, including recurring future transactions and planned acquisitions or disposals of investments. In accordance with IFRS 9, these are treated as cash flow hedges. These hedging instruments are recognized at fair value in the balance sheet. 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 Group also hedges FX risk financing receivables or payables (including current account and loan with subsidiaries) using FX derivatives than can be documented either in Cash Flow Hedge or Fair Value Hedge depending on the nature of the derivative.

The Group may also designate FX derivatives or borrowings as hedging instruments of its investments in foreign operations (net investment hedge). Changes of value of those hedging instruments are accumulated in equity and recognized in the statement of income symmetrically to the hedged items.

The Group documents FX derivative based on the spot rate. The Group adopted the cost of hedging option offered by IFRS 9 to limit volatility in the statement of income related to forward points:

- for FX derivatives hedging a monetary item on the balance sheet: Forward points are amortized in statement of income on a straight-line basis. Forward points related to FX derivatives hedging financing transactions are included in "Finance costs, net";
- for FX derivatives hedging future transactions not yet recorded on the balance sheet: Forward points are recorded in the statement of income when the hedged transaction impacts the statement of income.

#### Interest rate hedges

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 as an adjustment to interest income or expense over the life of the agreement. The Group applies hedge accounting as described in IFRS 9 for interest rate swaps. Gains and losses on re-measurement of interest rate swaps at fair value on the balance sheet are recognized in equity (for Cash Flow Hedges) or in profit or loss (for Fair Value Hedges).

Borrowings hedged by an interest rate derivative in a fair value hedge are reevaluated at fair value for the portion of risk being hedged, with offsetting entry in the statement of income.

Cross-currency swaps may be presented both as foreign exchange hedges and interest rate hedges depending on the characteristics of the derivative.

#### Commodity hedges

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 IFRS 9, 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.

#### Shares hedges

Schneider Electric shares are hedged in relation to last Stock Appreciation Rights granted to US employees before 2012 using derivatives documented in cash flow hedge.

Time value of options documented in a hedging relationship is recorded using the same approach used for forward points.

Any ineffectiveness arising from a derivative documented in a hedging relationship is recorded in "Net financial income/(loss)".

Cash flows from financial instruments are recognized in the consolidated statement of cash flows in a manner consistent with the underlying transactions.

#### Put options granted to minority shareholders

In line with the AMF's recommendation of November 2009 and in the absence of a specific IFRS rule, the Group elected to retain the accounting treatment for minority put options applied up to December 31, 2009, involving puts granted to minority shareholders prior to this date. In this case, the Group elected to recognize the difference between the purchase price of the minority interests and the share of the net assets acquired as goodwill, without re-measuring the assets and liabilities acquired. Subsequent changes in the fair value of the liability are recognized by adjusting goodwill.

The Group opted for accounting subsequent fair value changes of put options granted to minority shareholders with counterpart in equity.

### 1.24 – Revenue recognition

The Group's revenues primarily include transactional sales and revenues from services, and system contracts (projects).

Some contracts may include the supply to the customer of distinct goods and services (for instance contracts combining build followed by operation and maintenance). In such situations, the contract is analyzed and segmented into several components ("performance obligations"), each component being accounted for separately, with its own revenue recognition method and margin rate. The selling price is allocated to each performance obligation in proportion to the specific selling price of the underlying goods and services. This allocation should reflect the share of the price to which Schneider Electric expects to be entitled in exchange for the supply of these goods or services.

Revenue associated with each performance obligation identified within a contract is recognized when the obligation is satisfied, i.e. when the control of the promised goods or services is transferred to the customer.

The following revenue recognition methods can be applied:

#### Recognition of revenue at a point of time

Revenue from sales is recognized at a point of time, when the control of the promised goods or services is transferred to the customer. This method is applicable for all transactional sales and for specific services such as spare parts deliveries, or on-demand services.

#### Recognition over time

To demonstrate that the transfer of goods is progressive and recognize revenue over time, the following cumulative criteria are required:

- the goods sold have no alternative use, and
- enforceable right to payment (corresponding to costs incurred, plus a reasonable profit margin) for the work performed to date exists, in the event of early termination for convenience by the customer.

When these criteria are fulfilled, revenue is recognized using the percentage-of-completion method, based on the percentage of costs incurred in relation to total estimated costs of the performance obligation. The cost incurred includes direct and indirect costs relating to the contracts.

Expected losses on contracts are fully recognized as soon as they are identified.

Penalties for late delivery or for the improper execution of a contract are recognized as a deduction from revenue.

This method is applicable for systems contracts (projects) as the constructed assets are highly customized, and thus the Group would incur significant economic losses to redirect the built solutions to other customers.

Revenue from the majority of services contracts is recognized over time, as the customer simultaneously receives and consumes the benefits of the services provided. When costs incurred are stable over the contract's period, revenue is linearized over the contract's length.

Provisions for the discounts offered to distributors are accrued 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.

#### Backlog and balance sheet presentation

Backlog (as disclosed in Note 3.1) corresponds to the amounts of the selling price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at closing date.

## 5. Notes to the consolidated financial statements

The cumulated amount of revenue accounted for, less progress payments and accounts receivable (presented on a dedicated line of the balance sheet) is determined on a contract-by-contract basis. If this amount is positive, the balance is recognized under "contract assets" in the balance sheet. If it is negative, the balance is recognized under "contract liabilities" (see Note 16). Reserves for onerous contracts (so-called reserves for loss at completion) are excluded from contract assets and liabilities and presented among the "reserves for contingencies" item.

### 1.25 – Earnings per share

Earnings per share are calculated in accordance with IAS 33 – *Earnings Per Share*.

Diluted earnings per share are calculated by adjusting profit attributable to equity holders of the parent and the weighted average number of shares outstanding for the dilutive effect of the exercise of stock options outstanding at the balance sheet date. The dilutive effect of stock options is determined by applying the "treasury stock" method, which consists of taking into account the number of shares that could be purchased, based on the average share price for the year, using the proceeds from the exercise of the rights attached to the options.

### 1.26 – Statement of cash flows

The consolidated statement of cash flows has been prepared using the indirect method, which consists of reconciling net profit to net cash provided by operations. The opening and closing cash positions include cash and cash equivalents, comprised of marketable securities, net of bank overdrafts and facilities.

## Note 2: Changes in the scope of consolidation

The principal companies consolidated are listed in the Note 29.

### 2.1 – Follow-up on acquisitions and divestments occurred in 2017 with significant effect in 2018

#### Acquisitions

On July 27, 2017, Schneider Electric announced that it has signed an agreement to acquire Asco Power Technologies ("ASCO"), a leader in the Automatic Transfer Switch ("ATS") market for a consideration of circa USD 1,258 million in an all cash transaction. The transaction was finalized on October 31, 2017. ASCO is fully consolidated in the *Low Voltage* business since November 1, 2017. As at December 31, 2018, the Group recognized intangible assets for an amount of EUR 438 million (trademark, patents and customer relationship), and of a goodwill of EUR 744 million.

The Group also acquired the minority interest of Luminous in the first semester 2017.

#### Disposals

On April 3, 2017, the Group announced that it has signed an agreement to sell its Telvent DTN business to TBG AG. On May 31, 2017, the transaction was finalized with a final base sale price established at USD 900 million.

### 2.2 – Acquisitions and divestments occurred during the year

#### Acquisitions

##### AVEVA

On September 5, 2017, the Group announced that it had reached agreement with AVEVA Group PLC on the terms and conditions of a Combination of AVEVA and Schneider Electric Software business, to create a global leader in engineering and industrial software.

On February 28, 2018, the transaction was finalized, following the issue of ordinary shares in the capital of AVEVA to Schneider Electric. The Group owns 60% of the enlarged AVEVA Group, on a fully diluted basis. AVEVA is fully consolidated in the Industrial Automation business since March 1, 2018. The consideration paid amounts EUR 1,994 million, of which EUR 577 million paid in cash (net of acquired cash).

The purchase accounting resulting from the acquisition is not completed at the closing date. As at December 31, 2018, the Group recognized intangible assets for a preliminary amount of EUR 553 million (trademark, patents and customer relationship), and an amount of Goodwill of EUR 1,449 million.

The impact on non-controlling interests reflects 40% of the AVEVA total consideration combined with the carrying value of the Schneider Electric Software business evaluated at the time of the acquisition of Invensys Group by Schneider Electric.

##### IGE+XAO

On November 8, 2017, the Group announced the signing of a memorandum of understanding, pursuant to which SEI SAS have filed with the Autorité des Marchés Financiers (AMF) a voluntary public tender offer for the shares of IGE+XAO.

On January 25, 2018, after the successful public tender offer and following the delivery of the shares tendered to the offer, the Group announced that SEI SAS owned directly and indirectly 70.57% of the share capital of IGE+XAO, and therefore has taken the control of the Company.

Since February 22, 2018, after the reopening of the public tender, the Group owns 70.69% of the share capital of IGE+XAO.

IGE+XAO, is fully consolidated in the Low Voltage business since February 1, 2018. The consideration paid amounts EUR 86 million (net of acquired cash).

The purchase accounting resulting from the acquisition is not completed at the closing date. As at December 31, 2018, the Group recognized intangible assets for a preliminary amount of EUR 56 million (trademark, technologies and customer relationship), and an amount of Goodwill of EUR 100 million.

### Disposals

No significant disposals occurred during 2018.

### Cash-flows impacts

The effect of acquisitions and divestments during the year is a net cash outflow amounting to EUR 730 million in 2018:

	2018	2017
Acquisitions	(751)	(1,165)
Purchase of minority interests	–	(141)
Disposals	21	749
<b>NET FINANCIAL INVESTMENT</b>	<b>(730)</b>	<b>(557)</b>

In 2018, the cash outflow from acquisitions is mainly related to AVEVA acquisition.

In 2017, the cash inflow from disposals is mainly related to the price received for the Telvent DTN divestment. The cash outflow from acquisitions is mainly related to the price paid for ASCO.

### Note 3: Segment reporting

The Group is structured around four businesses and organized as follows:

#### Energy Management

- **Low Voltage** provides low voltage power and building automation products and solutions that address the needs of all end markets from buildings to industries and infrastructure to data centers to help customers improve the energy efficiency of the buildings;
- **Medium Voltage**, combines all Medium Voltage and grid automation activities;
- **Secure Power**, covers Secure Power activities.

#### Automation

- **Industrial Automation**, includes Industrial Automation and Industrial Control activities, across Discrete, Process & Hybrid industries.

Expenses concerning General Management that cannot be allocated to a particular segment are presented under "Central Functions & Digital costs".

Operating segment data is presented to the Board of Directors, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance and decisions on the allocation of resources are assessed by the Board of Directors notably based on Adjusted EBITA.

Share-based payment is presented under "Central Functions & Digital costs".

The Board of Directors does not review assets and liabilities by operating segment.

The same accounting principles governing the consolidated financial statements apply to segment reporting.

### 3.1 – Information by operating segment

#### Full year 2018

	Energy Management			Automation		Central Functions & Digital costs	Total
	Low Voltage	Medium Voltage	Secure Power	Industrial Automation			
Backlog	2,425	2,455	1,108	1,471	–		<b>7,459</b>
Revenue	11,572	4,320	3,628	6,200	–		<b>25,720</b>
Adjusted EBITA*	2,382	481	616	1,118	(723)		<b>3,874</b>
Adjusted EBITA %	20.6%	11.1%	17.0%	18.0%	–		<b>15.1%</b>

\* Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).

As of December 31, 2018, the amount of backlog to be executed over one year amounts to EUR 350 million.

## 5. Notes to the consolidated financial statements

### Full year 2017

	Energy Management			Automation		Central Functions & Digital costs	Total
	Low Voltage	Medium Voltage	Secure Power	Industrial Automation			
Revenue	10,812	4,500	3,615	5,816		–	<b>24,743</b>
Adjusted EBITA*	2,232	449	600	1,021		(651)	<b>3,651</b>
Adjusted EBITA %	20.6%	10.0%	16.6%	17.6%		–	<b>14.8%</b>

\* Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).

### 3.2 – Information by region

The geographic regions covered by the Group are:

- Western Europe;
- North America: United States, Canada and Mexico;
- Asia-Pacific;
- Rest of the world (Eastern Europe, Middle East, Africa, South America).

Non-current assets include net goodwill, net intangible assets and net property, plant and equipment.

### Full year 2018

	Western Europe	of which France	North America	of which USA	Asia-Pacific	of which China	Rest of the world	Total
Revenue by country market	6,991	1,643	7,183	6,101	7,338	3,666	4,208	<b>25,720</b>
Non-current assets as of Dec. 31, 2018	11,121	1,859	9,617	7,602	3,859	942	1,171	<b>25,768</b>

### Full year 2017

	Western Europe	of which France	North America	of which USA	Asia-Pacific	of which China	Rest of the world	Total
Revenue by country market	6,731	1,654	6,794	5,741	6,866	3,256	4,352	<b>24,743</b>
Non-current assets as of Dec. 31, 2017	8,793	1,717	9,278	7,408	3,894	949	1,283	<b>23,248</b>

Moreover, the Group follows the share of new economies by revenue:

	Full year 2018		Full year 2017	
Revenue – Mature countries	14,987	58%	14,327	58%
Revenue – New economies	10,733	42%	10,416	42%
<b>TOTAL</b>	<b>25,720</b>	<b>100%</b>	<b>24,743</b>	<b>100%</b>

### 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 2018	Full year 2017
Research and development costs in cost of sales	(387)	(382)
Research and development costs in R&D costs*	(597)	(501)
Capitalized development costs	(315)	(300)
<b>TOTAL RESEARCH AND DEVELOPMENT COSTS IN THE YEAR</b>	<b>(1,299)</b>	<b>(1,183)</b>

\* Of which EUR 41 million of research and development tax credits in full year 2018 and EUR 41 million in full year 2017.

Amortization expenses of capitalized development costs amounted to EUR 255 million for the 2018 financial year, compared with EUR 238 million in 2017.



## Note 5: Impairment losses, depreciation and amortization expenses

	Full year 2018	Full year 2017
Depreciation and amortization included in cost of sales	(534)	(518)
Depreciation and amortization included in selling, general and administrative expenses	(155)	(151)
Amortization expenses of purchase accounting intangible assets	(171)	(117)
Impairment losses of purchase accounting intangible assets	(6)	(23)
<b>IMPAIRMENT LOSSES, DEPRECIATION AND AMORTIZATION EXPENSES</b>	<b>(866)</b>	<b>(809)</b>

Impairment tests performed in 2018 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 6: Other operating income and expenses

Other operating income and expenses break down as follows:

	Full year 2018	Full year 2017
Impairment losses on assets	(36)	(92)
Gains on assets disposals	10	108
Losses on assets disposals	(6)	(8)
Costs of acquisitions and integrations	(69)	(75)
Pension plan curtailments and settlements	20	103
Others	(22)	(51)
<b>OTHER OPERATING INCOME AND EXPENSES</b>	<b>(103)</b>	<b>(15)</b>

In 2017, gains on asset disposals mostly include the impact of the disposal of Telvent DTN business.

The line "Pension plan curtailments and settlements" includes provision releases in the USA in 2018; and in 2017 in the USA and in France.

The costs of acquisitions and integrations relates to major acquisitions and disposals from 2017 and 2018.

"Others" in 2018 and 2017 include mainly provisions for litigation on non-operating expenses.

## Note 7: Other financial income and expenses

	Full year 2018	Full year 2017
Exchange gains and losses, net	(5)	(24)
Financial component of Defined Benefit plan costs	(61)	(69)
Dividends received	1	2
Fair value adjustment of financial assets	3	(2)
Other financial expenses, net	(66)	(55)
<b>OTHER FINANCIAL INCOME AND EXPENSES</b>	<b>(128)</b>	<b>(148)</b>

## Note 8: Income tax expense

When regulatory requirements are met, 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.

### 8.1 – Analysis of income tax expense

	Full year 2018	Full year 2017
Income tax	(635)	(681)
Deferred tax	(58)	81
<b>INCOME TAX (EXPENSE)/BENEFIT</b>	<b>(693)</b>	<b>(600)</b>

## 5. Notes to the consolidated financial statements

## 8.2 – Tax proof

	Full year 2018	Full year 2017
<b>Profit attributable to owners of the parent</b>	<b>2,334</b>	<b>2,150</b>
Income of discontinued operations, net of income tax	(23)	(94)
Income tax (expense)/benefit	(693)	(600)
Non-controlling interests	(97)	(60)
Share of profit of associates	61	61
<b>Profit before tax</b>	<b>3,086</b>	<b>2,843</b>
Geographical weighted average Group tax rate	25.2%	27.5%
<b>Reconciling items:</b>		
<b>Theoretical income tax expense</b>	<b>(777)</b>	<b>(782)</b>
Tax credits and other tax reductions	180	126
Impact of tax losses	(29)	(31)
Other permanent differences	(42)	75
<b>Income tax (expense)/benefit before impact from tax reforms</b>	<b>(668)</b>	<b>(612)</b>
<b>EFFECTIVE TAX RATE BEFORE IMPACT FROM TAX REFORMS</b>	<b>21.6%</b>	<b>21.5%</b>
Impact from Tax reforms	(25)	12
<b>INCOME TAX (EXPENSE)/BENEFIT</b>	<b>(693)</b>	<b>(600)</b>
<b>EFFECTIVE TAX RATE</b>	<b>22.5%</b>	<b>21.1%</b>

Theoretical tax expense from continuing operations is reconciled above from the Company's weighted-average global tax rate (rather than from the French domestic statutory tax rate), as the Company's consolidated income from continuing operations is predominantly generated outside of France.

In 2018, the tax reforms in the USA led to an additional negative adjustment of EUR 25 million.

In 2017, the tax reforms in the USA and in Belgium, as well as the additional reform in France, led together to a positive adjustment of EUR 12 million.

## Note 9: Goodwill

## 9.1 – Main items of goodwill

Group goodwill is broken down by business as follows:

	Dec. 31, 2018, net	Dec. 31, 2017, net
<i>Low Voltage</i>	5,999	5,647
<i>Industrial Automation</i>	7,338	5,763
<i>Secure Power</i>	3,181	3,136
<i>Medium Voltage</i>	1,855	1,877
<b>TOTAL</b>	<b>18,373</b>	<b>16,423</b>

## 9.2 – Movements during the year

The main movements during the year are summarized as follows:

	Full year 2018	Full year 2017
<b>Net goodwill at opening</b>	<b>16,423</b>	<b>17,785</b>
Acquisitions	1,634	716
Disposals	–	(536)
Translation adjustment	263	(1,489)
Reclassifications	53	(53)
<b>NET GOODWILL AT YEAR END</b>	<b>18,373</b>	<b>16,423</b>
<i>Included cumulative impairment</i>	(366)	(354)

## Acquisitions

Goodwill generated by acquisitions made during the year totaled EUR 1,634 million, mainly from:

- AVEVA preliminary goodwill, allocated to the *Industrial Automation*
- IGE+XAO preliminary goodwill, allocated to the *Low Voltage*
- the adjustment of ASCO's Goodwill in 2018 (*Low Voltage*)

Impairment tests performed on all the Group's CGUs have not led to goodwill impairment losses being recognized.

## Other changes

Translation adjustments concern principally goodwill in US dollars and UK pound sterling.

## Note 10: Intangible assets

### 10.1 – Change in intangible assets

#### Gross Value

	Trademarks	Software	Development projects (R&D)	Acquired technologies and customer relationships	Other	Total
<b>Dec. 31, 2016</b>	<b>3,084</b>	<b>888</b>	<b>2,800</b>	<b>2,200</b>	<b>273</b>	<b>9,245</b>
Acquisitions	–	–	314	–	1	<b>315</b>
Disposals	–	–	–	–	–	–
Translation adjustments	(319)	(20)	(99)	(240)	(32)	<b>(710)</b>
Reclassifications	–	7	(90)	–	(38)	<b>(121)</b>
Changes in scope of consolidation and other	112	(14)	(82)	291	36	<b>343</b>
<b>Dec. 31, 2017</b>	<b>2,877</b>	<b>861</b>	<b>2,843</b>	<b>2,251</b>	<b>240</b>	<b>9,072</b>
Acquisitions	–	18	315	1	4	<b>338</b>
Disposals	–	–	–	–	–	–
Translation adjustments	90	16	23	90	20	<b>239</b>
Reclassifications	–	20	–	–	(20)	–
Changes in scope of consolidation and other	37	(25)	(58)	500	2	<b>456</b>
<b>DEC. 31, 2018</b>	<b>3,004</b>	<b>890</b>	<b>3,123</b>	<b>2,842</b>	<b>246</b>	<b>10,105</b>

#### Amortization and impairment

	Trademarks	Software	Development projects (R&D)	Acquired technologies and customer relationships	Other	Total
<b>Dec. 31, 2016</b>	<b>(776)</b>	<b>(765)</b>	<b>(1,505)</b>	<b>(1,424)</b>	<b>(201)</b>	<b>(4,671)</b>
Depreciations	(10)	(50)	(235)	(104)	–	<b>(399)</b>
Impairments	(22)	(4)	(64)	(1)	–	<b>(91)</b>
Translation adjustments	48	16	55	123	6	<b>248</b>
Reclassification	–	–	10	–	35	<b>45</b>
Changes in scope of consolidation and other	–	41	77	36	(23)	<b>131</b>
<b>Dec. 31, 2017</b>	<b>(760)</b>	<b>(762)</b>	<b>(1,662)</b>	<b>(1,370)</b>	<b>(183)</b>	<b>(4,737)</b>
Depreciations	–	(48)	(255)	(166)	(5)	(474)
Impairments	–	–	(13)	–	–	(13)
Translation adjustments	(13)	(1)	(24)	(21)	(10)	(69)
Reclassifications	–	–	–	–	–	–
Changes in scope of consolidation and other	25	20	42	(23)	(2)	62
<b>DEC. 31, 2018</b>	<b>(748)</b>	<b>(791)</b>	<b>(1,912)</b>	<b>(1,580)</b>	<b>(200)</b>	<b>(5,231)</b>

#### Net value

	Trademarks	Software	Development projects (R&D)	Acquired Technologies and Customer relationships	Other	Total
<b>Dec. 31, 2016</b>	<b>2,308</b>	<b>123</b>	<b>1,295</b>	<b>776</b>	<b>72</b>	<b>4,574</b>
<b>Dec. 31, 2017</b>	<b>2,117</b>	<b>99</b>	<b>1,181</b>	<b>881</b>	<b>57</b>	<b>4,335</b>
<b>DEC. 31, 2018</b>	<b>2,256</b>	<b>99</b>	<b>1,211</b>	<b>1,262</b>	<b>46</b>	<b>4,874</b>

In 2018, change in intangible assets is mainly related to the acquisition of AVEVA.

## 5. Notes to the consolidated financial statements

The amortization expenses and impairment losses of intangible assets other than goodwill restated in statutory cash flow are as follows:

	Full year 2018	Full year 2017
Amortization expenses of intangible assets other than goodwill	474	399
Impairment losses of intangible assets other than goodwill	13	91
<b>TOTAL*</b>	<b>487</b>	<b>490</b>

\* Includes amortization & impairment of intangible assets from purchase price allocation for EUR 177 million for the year 2018 (EUR 140 million in 2017).

### 10.2 – Trademarks

At December 31, 2018, the main trademarks recognized were as follows:

	Dec. 31, 2018	Dec. 31, 2017
APC ( <i>Secure Power</i> )	1,619	1,533
Clipsal ( <i>Low Voltage</i> )	157	166
ASCO ( <i>Low Voltage</i> )	123	132
Pelco ( <i>Low Voltage</i> )	110	117
AVEVA ( <i>Industrial Automation</i> )*	79	–
Invensys – Triconex and Foxboro ( <i>Industrial Automation</i> )	48	46
Digital ( <i>Industrial Automation</i> )	43	40
Other	77	83
<b>NET</b>	<b>2,256</b>	<b>2,117</b>

\* Preliminary assessment as of December 31, 2018

All the above trademarks are considered to have an indefinite life.

The Pelco trademark has been impaired for a total of EUR 318 million since its acquisition by the Group.

Impairment tests carried out on main trademarks in 2018 did not led to additional impairments.

## Note 11: Property, plant and equipment

### 11.1 – Change in property, plant and equipment

#### Gross value

	Land	Buildings	Machinery and equipment	Other	Total
<b>Dec. 31, 2016</b>	<b>171</b>	<b>1,960</b>	<b>4,423</b>	<b>1,072</b>	<b>7,626</b>
Acquisitions	–	270	128	49	447
Disposals	(6)	(96)	(116)	(43)	(261)
Translation adjustments	(8)	(100)	(205)	(47)	(360)
Reclassifications	(3)	(174)	110	2	(65)
Changes in scope of consolidation and other	(1)	(14)	12	(27)	(30)
<b>Dec. 31, 2017</b>	<b>153</b>	<b>1,846</b>	<b>4,352</b>	<b>1,006</b>	<b>7,357</b>
Acquisitions	–	281	144	58	483
Disposals	(5)	(62)	(111)	(85)	(263)
Translation adjustments	–	2	6	(6)	2
Reclassifications	2	(135)	128	35	30
Changes in scope of consolidation and other	–	(65)	(10)	88	13
<b>DEC. 31, 2018</b>	<b>150</b>	<b>1,867</b>	<b>4,509</b>	<b>1,096</b>	<b>7,622</b>

## Amortization and impairment

	Land	Buildings	Machinery and equipment	Other	Total
<b>Dec. 31, 2016</b>	<b>(20)</b>	<b>(948)</b>	<b>(3,418)</b>	<b>(598)</b>	<b>(4,984)</b>
Depreciations and impairment	(1)	(69)	(257)	(60)	(387)
Reversals	1	37	121	39	198
Translation adjustments	1	36	147	35	219
Reclassifications	1	16	6	12	35
Changes in scope of consolidation and other	1	22	5	24	52
<b>Dec. 31, 2017</b>	<b>(17)</b>	<b>(906)</b>	<b>(3,396)</b>	<b>(548)</b>	<b>(4,867)</b>
Depreciations and impairment	(4)	(89)	(256)	(64)	(413)
Reversals	1	36	110	67	214
Translation adjustments	–	(1)	(8)	4	(5)
Reclassifications	–	(13)	5	(22)	(30)
Changes in scope of consolidation and other	–	1	11	(12)	–
<b>DEC. 31, 2018</b>	<b>(20)</b>	<b>(972)</b>	<b>(3,534)</b>	<b>(575)</b>	<b>(5,101)</b>

## Net value

	Land	Buildings	Machinery and equipment	Other	Total
<b>Dec. 31, 2016</b>	<b>151</b>	<b>1,012</b>	<b>1,005</b>	<b>474</b>	<b>2,642</b>
<b>Dec. 31, 2017</b>	<b>136</b>	<b>940</b>	<b>956</b>	<b>458</b>	<b>2,490</b>
<b>DEC. 31, 2018</b>	<b>130</b>	<b>895</b>	<b>975</b>	<b>521</b>	<b>2,521</b>

Reclassifications primarily correspond to assets put into use.

The cash impact of purchases of property, plant and equipment in 2018 was as follows:

	Full year 2018	Full year 2017
Increase in property, plant and equipment	(483)	(447)
Changes in receivables and liabilities on property, plant and equipment	(3)	13
<b>TOTAL</b>	<b>(486)</b>	<b>(434)</b>

The depreciation and impairment of property, plant and equipment restated in the statement of cash flows were as follows:

	Full year 2018	Full year 2017
Depreciation of property, plant and equipment	386	387
Impairment of property, plant and equipment	27	–
<b>TOTAL</b>	<b>413</b>	<b>387</b>

## 11.2 – Finance leases

Property, plant and equipment primarily include the following finance leases:

	Dec. 31, 2018	Dec. 31, 2017
Buildings	10	10
Machinery and equipment	30	30
Other property, plant and equipment	–	1
Accumulated depreciation	(39)	(40)
<b>ASSETS UNDER FINANCE LEASE</b>	<b>1</b>	<b>1</b>

## 5. Notes to the consolidated financial statements

## 11.3 – Operating leases

Rental expense breaks down as follows:

	Full year 2018	Full year 2017
Minimum rentals	265	112
Sub-lease rentals	5	5
<b>TOTAL RENTAL EXPENSE</b>	<b>270</b>	<b>117</b>

Operating lease commitments break down as follows at December 31, 2018:

	Minimum payments	Discounted minimum payments
Less than one year	240	240
Between one and five years	630	576
Five years and more	285	261
<b>TOTAL COMMITMENTS</b>	<b>1,155</b>	<b>1,077</b>
Discounting effect	(79)	–
<b>Discounted minimum payments</b>	<b>1,077</b>	<b>1,077</b>

## Note 12: Investments in associates and joint ventures

Investments in associates and joint ventures can be analyzed as follows:

	Delixi	Fuji Electric FA Components & Systems	Sunten Electric Equipment	Schneider Electric DMS, LLC Power Engineering	InnoVista Sensors	Delta Dore Finance	Other	<b>Total</b>
<b>% of interest</b>								
Dec. 31, 2018	50.0%	36.8%	25.0%	57.0%	30.0%	20.0%	–	–
Dec. 31, 2017	50.0%	36.8%	25.0%	57.0%	30.0%	20.0%	–	–
<b>CLOSING VALUE DEC. 31, 2016</b>	<b>279</b>	<b>115</b>	<b>52</b>	<b>40</b>	<b>77</b>	<b>18</b>	<b>20</b>	<b>601</b>
Net income/(loss)	39	16	1	2	2	1	–	<b>61</b>
Dividends distribution	(26)	(8)	(2)	–	(42)	–	(6)	<b>(84)</b>
Perimeters changes	–	–	–	–	–	–	2	<b>2</b>
Translation impacts & others	(14)	(7)	(3)	2	(10)	–	(1)	<b>(33)</b>
<b>CLOSING VALUE DEC. 31, 2017</b>	<b>278</b>	<b>116</b>	<b>48</b>	<b>44</b>	<b>27</b>	<b>19</b>	<b>15</b>	<b>547</b>
Net income/(loss)	50	16	(1)	(7)	3	–	–	<b>61</b>
Dividends distribution	(57)	(4)	(1)	–	(28)	–	(1)	<b>(91)</b>
Perimeters changes	–	–	–	–	–	–	–	–
Translation impacts & others	(2)	8	(1)	7	1	–	–	<b>13</b>
<b>CLOSING VALUE DEC. 31, 2018</b>	<b>269</b>	<b>136</b>	<b>45</b>	<b>44</b>	<b>3</b>	<b>19</b>	<b>14</b>	<b>530</b>

### Note 13: Non-current financial assets

Non-current financial assets, primarily comprising investments, are detailed below:

	% interest	Dec. 31, 2018			Dec. 31, 2017	
		Acquisition cost	Revaluation	Fair value	Fair value	
<b>LISTED FINANCIAL ASSETS</b>						
NVC Lighting	9.2%	129	(113)	16	23	
Gold Peak Industries Holding Ltd	4.4%	6	(3)	3	3	
Other		6	–	6	–	
<b>TOTAL LISTED FINANCIAL ASSETS</b>		<b>141</b>	<b>(116)</b>	<b>25</b>	<b>26</b>	
<b>UNLISTED FINANCIAL ASSETS</b>						
FCPR SEV1	100%	6	9	15	15	
FCPR Aster II (part A, B and C)	38.3%	47	(9)	38	26	
FCPR Growth	100%	18	5	23	36	
FCPI Energy Access Ventures Fund	30.6%	7	(1)	6	3	
SICAV SESS	63.1%	10	1	11	11	
SICAV Livelihoods Fund SIF	15.2%	4	–	4	3	
Foundries	100%	42	–	42	7	
Shenzhen Aster	30.4%	24	–	24	13	
Raise Foundation	4.8%	9	–	9	9	
Schneider Electric Energy Access	81.1%	3	–	3	3	
Others*		8	(5)	3	3	
<b>TOTAL UNLISTED FINANCIAL ASSETS</b>		<b>178</b>	<b>–</b>	<b>178</b>	<b>129</b>	
<b>PENSIONS ASSETS</b>		<b>361</b>	<b>–</b>	<b>361</b>	<b>182</b>	
<b>OTHER</b>		<b>101</b>	<b>–</b>	<b>101</b>	<b>99</b>	
<b>TOTAL NON-CURRENT FINANCIAL ASSETS</b>		<b>781</b>	<b>(116)</b>	<b>665</b>	<b>436</b>	

\* Unit gross value lower than EUR 3 million.

Changes in fair value for listed financial assets are recorded through "Other Comprehensive Income" since 2017 (Note 1.2). Gains or losses realized upon sale will be maintained in "Other Comprehensive Income" (no recycling in income statement).

The fair value of investments quoted in an active market corresponds to the stock price on the balance sheet date.

Others include mainly loans to non-consolidated companies, and securities given to third parties.

### Note 14: Deferred taxes by nature

Deferred taxes by type can be analyzed as follows:

	Dec. 31, 2018	Dec. 31, 2017
Tax loss carryforwards (net)	721	683
Provisions for pensions and other post-retirement benefit obligations (net)	278	332
Non-deductible provisions and accruals (net)	223	273
Differences between tax and accounting depreciation on tangible assets (net)	(55)	(45)
Differences between tax and accounting amortization on intangible assets (net)	(803)	(625)
Differences on working capital (net)	370	277
Deferred tax at other/reduced tax rates	24	63
Other deferred tax assets/(liabilities) (net)	135	143
<b>TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)</b>	<b>893</b>	<b>1,101</b>
<i>of which total deferred tax assets</i>	<i>2,040</i>	<i>2,097</i>
<i>of which total deferred tax liabilities</i>	<i>(1,147)</i>	<i>(996)</i>

Deferred tax assets recorded in respect of tax loss carried forward at December 31, 2018 essentially concern France (EUR 583 million).

## 5. Notes to the consolidated financial statements

## Note 15: Inventories and work in progress

Inventories and work in progress changed as follows:

	Dec. 31, 2018	Dec. 31, 2017
<b>COST</b>		
Raw materials	1,258	1,218
Production work in progress	275	263
Semi-finished and finished products	1,277	1,142
Finished goods	414	407
Solution work in progress	184	135
<b>INVENTORIES AND WORK IN PROGRESS AT COST</b>	<b>3,408</b>	<b>3,165</b>
<b>IMPAIRMENT</b>		
Raw materials	(148)	(154)
Production work in progress	(9)	(5)
Semi-finished and finished products	(148)	(150)
Finished goods	(7)	(7)
Solution work in progress	(5)	(5)
<b>IMPAIRMENT LOSS</b>	<b>(317)</b>	<b>(321)</b>
<b>NET</b>		
Raw materials	1,110	1,064
Production work in progress	266	258
Semi-finished and finished products	1,129	992
Finished goods	407	400
Solution work in progress	179	130
<b>INVENTORIES AND WORK IN PROGRESS, NET</b>	<b>3,091</b>	<b>2,844</b>

## Note 16: Trade accounts receivable

	Dec. 31, 2018	Dec. 31, 2017
Accounts receivable	5,114	4,945
Unbilled revenue	851	888
Notes receivable	199	293
Advances to suppliers	119	115
<b>Accounts receivable at cost</b>	<b>6,283</b>	<b>6,241</b>
Impairment	(479)	(478)
<b>Accounts receivable, net</b>	<b>5,804</b>	<b>5,763</b>
<i>Of which:</i>		
<i>On time</i>	4,855	4,880
<i>Less than one month past due</i>	461	408
<i>One to two months past due</i>	203	181
<i>Two to three months past due</i>	80	81
<i>Three to four months past due</i>	79	74
<i>More than four months past due</i>	126	139
<b>ACCOUNTS RECEIVABLE, NET</b>	<b>5,804</b>	<b>5,763</b>

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 2018	Full year 2017
<b>Provisions for impairment on January 1</b>	<b>(478)</b>	<b>(531)</b>
Additions	(74)	(89)
Utilizations	42	52
Reversals of surplus provisions	43	44
Translation adjustments	5	43
Other	(17)	3
<b>PROVISIONS FOR IMPAIRMENT ON DECEMBER 31</b>	<b>(479)</b>	<b>(478)</b>

The contracts assets and liabilities, respectively reported within the "Trade and other operating receivables" and "Trade and other operating payables", are as follows:

	Dec. 31, 2018	Dec. 31, 2017
Unbilled revenue (Contract Assets)	851	888
Contract liabilities	(797)	(797)
<b>NET CONTRACT ASSETS</b>	<b>54</b>	<b>91</b>

### Note 17: Other receivables and prepaid expenses

	Dec. 31, 2018	Dec. 31, 2017
Other receivables	549	386
Other tax receivables	992	922
Derivative instruments	45	135
Prepaid expenses	324	250
<b>TOTAL</b>	<b>1,910</b>	<b>1,693</b>

### Note 18: Cash and cash equivalents

	Dec. 31, 2018	Dec. 31, 2017
Marketable securities	527	1,393
Negotiable debt securities and short-term deposits	25	107
Cash and cash equivalents	1,809	1,545
<b>Total cash and cash equivalents</b>	<b>2,361</b>	<b>3,045</b>
Bank overdrafts	(130)	(278)
<b>NET CASH AND CASH EQUIVALENTS</b>	<b>2,231</b>	<b>2,767</b>

Non-recourse factorings of trade receivables were realized during the second semester of 2018 for a total amount of EUR 130 million, compared with EUR 103 million during the second semester of 2017

### Note 19: Equity

#### 19.1 – Capital

##### Share capital

The company's share capital at December 31, 2018 amounted to EUR 2,316,675,076 represented by 579,168,769 shares with a par value of EUR 4, all fully paid up.

At December 31, 2018, a total of 608,153,573 voting rights were attached to the 579,168,769 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.

## 5. Notes to the consolidated financial statements

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, 2016 were as follows:

<i>(in number of shares and in euros)</i>	Cumulative number of shares	Share capital
<b>CAPITAL AT DEC. 31, 2016</b>	<b>592,498,759</b>	<b>2,369,995,036</b>
Exercise of stock options	2,004,115	8,016,460
Employee share issue	2,413,368	9,653,472
<b>CAPITAL AT DEC. 31, 2017</b>	<b>596,916,242</b>	<b>2,387,664,968</b>
Cancellation of own shares*	(22,000,000)	(88,000,000)
Exercise of stock options	1,845,942	7,383,768
Employee share issue	2,406,585	9,626,340
<b>CAPITAL AT DEC. 31, 2018</b>	<b>579,168,769</b>	<b>2,316,675,076</b>

\* Cancellation of 22 million treasury shares following the Board of Directors held on February 15, 2018.

The share premium account increased by EUR 154 million following the exercise of options and the increases in capital.

### 19.2 – Earnings per share

#### Determination of the share base used in calculation

<i>(in thousands)</i>	Full year 2018		Full year 2017	
	Basic	Diluted	Basic	Diluted
Common shares*	<b>554,006</b>	<b>554,006</b>	557,731	557,731
Performance shares	–	<b>6,463</b>	–	6,337
Stock options	–	<b>118</b>	–	303
<b>AVERAGE WEIGHTED NUMBER OF SHARES</b>	<b>554,006</b>	<b>560,587</b>	<b>557,731</b>	<b>564,371</b>

\* Net of treasury shares and owned shares.

#### Earnings per share

<i>(in euros)</i>	Full year 2018		Full year 2017	
	Basic	Diluted	Basic	Diluted
Profit before tax	<b>5.57</b>	<b>5.50</b>	5.10	5.04
<b>EARNINGS PER SHARE</b>	<b>4.21</b>	<b>4.16</b>	<b>3.85</b>	<b>3.81</b>

### 19.3 – Dividends paid and proposed

In 2018, the Group paid out the 2017 dividend of EUR 2.20 per share (with a nominal value of EUR 4), for a total of EUR 1,223 million.

At the Shareholders' Meeting of April 25, 2019, shareholders will be asked to approve a dividend of EUR 2.35 per share (with a nominal value of EUR 4) for fiscal year 2018. At December 31, 2018 Schneider-Electric SE had distributable reserves in an amount of EUR 3,061 million (*versus* EUR 5,141 million at the previous year-end), not including profit for the year.

### 19.4 – 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, 2018:

#### Stock option plans

Plan no.	Date of the board meeting	Type of plan*	Starting date of exercise period	Expiration date	Price (in euros)	Number of options initially granted	Options canceled because targets not met
31	01/05/2009	S	01/05/2013	01/04/2019	23.78	1,358,000	133,760
33	12/21/2009	S	12/21/2013	12/20/2019	34.62	1,652,686	–
<b>TOTAL</b>						<b>3,010,686</b>	<b>133,760</b>

\* S = Options to subscribe new shares.

Rules governing the stock option plans are as follows:

- to exercise the option, the grantee must generally be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the options expire after six years;
- the vesting period is three or four years in the United States and four years in the rest of the world.

#### Performance shares

Plan no.	Date of board meeting	Vesting Date	End of lock-up period	Number of shares granted originally	Grants canceled because targets not met
19 a	02/18/2015	02/18/2017	02/20/2020	4,925	–
19 b	02/18/2015	02/18/2018	02/19/2020	9,100	–
20 a	02/18/2015	02/18/2017	02/20/2020	11,475	–
20 b	02/18/2015	02/18/2018	02/19/2020	11,950	–
20 c	02/18/2015	02/18/2019	02/18/2020	9,300	–
21	03/27/2015	03/27/2017	03/28/2019	719,670	110,367
21 bis	10/28/2015	10/28/2017	10/29/2019	1,500	217
22	03/27/2015	03/27/2019	03/28/2019	2,095,610	310,776
22 bis	10/28/2015	10/28/2019	10/29/2019	32,650	4,585
22 ter	10/28/2015	10/28/2019	10/29/2019	24,570	–
23	03/23/2016	03/23/2018	03/24/2020	7,983	–
24	03/23/2016	03/23/2020	03/24/2020	27,042	–
25	03/23/2016	03/23/2019	03/24/2021	744,540	36,860
26	03/23/2016	03/23/2020	03/24/2020	2,291,200	104,617
27	10/26/2016	10/26/2019	10/27/2019	35,700	2,285
28	03/24/2017	03/24/2020	03/24/2021	25,800	–
29	03/24/2017	03/24/2020	03/24/2020	2,405,220	–
29 bis	10/25/2017	10/25/2020	10/25/2020	32,400	–
30	03/26/2018	03/26/2021	03/26/2022	25,800	–
31	03/26/2018	03/26/2021	03/26/2021	2,318,140	–
31 bis	10/24/2018	10/24/2021	10/24/2021	28,000	–
<b>TOTAL</b>				<b>10,862,575</b>	<b>569,707</b>

Rules governing the stock grant plans are as follows:

- to receive the stock, the grantee must generally be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the vesting period is two to four years;
- the lock-up period is zero to three years.

#### Outstanding options and grants

##### Change in the number of options

Plan no.	Number of options outstanding at Dec. 31, 2017	Number of options exercised and/or created in 2018	Number of options canceled or restated in 2018*	Number of options outstanding at Dec. 31, 2018
31	156,633	(137,718)	651	19,566
33	400,350	(196,956)	6,962	210,356
<b>TOTAL</b>	<b>556,983</b>	<b>(334,674)</b>	<b>7,613</b>	<b>229,922</b>

\* Including cancellations due to targets not being met or options being granted to employees without being exercised.

To exercise the options granted under plans 31 and 33, and the SARs (« Stock Appreciation Rights »), the grantee must generally be an employee or corporate officer of the Group. In addition, exercise of some options is generally conditional on the achievement of annual objectives based on financial indicators.

In respect of subscription vesting conditions for current stock option and performance shares plans, Schneider Electric SE has created 1,845,942 shares in 2018.

## 5. Notes to the consolidated financial statements

## Change in the number of performance shares

Plan no.	Number of performance shares at Dec. 31, 2017	Number of shares granted or to be granted	Number of shares canceled in 2018	Number of shares outstanding at Dec. 31, 2018
18	1,486,408	(1,472,884)	(13,524)	–
18 bis	25,721	(16,821)	(8,900)	–
19	9,100	(9,100)	–	–
20	21,250	(11,950)	–	9,300
22	1,512,164	(513)	(103,033)	1,408,618
22 bis	27,065	–	(7,268)	19,797
22 ter	24,570	–	–	24,570
23	7,983	(7,983)	–	–
24	27,042	–	–	27,042
25	737,740	–	(23,600)	714,140
26	2,120,750	(850)	(157,000)	1,962,900
27	34,700	–	(1,000)	33,700
28	25,800	–	–	25,800
29	2,359,370	(2,000)	(98,200)	2,259,170
29 bis	32,400	–	(600)	31,800
30	–	25,800	–	25,800
31	–	2,284,940	–	2,284,940
31 bis	–	28,000	–	28,000
<b>TOTAL</b>	<b>8,452,063</b>	<b>816,639</b>	<b>(413,125)</b>	<b>8,855,577</b>

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.

## Valuation of performance shares

In accordance with the accounting policies described in Note 1.20, the stock grant plans have been valued based on an average estimated life of 4 to 5 years using the following assumptions:

- a pay-out rate of between 3.0% and 3.5%;
- a discount rate of between 0% and 1.0%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the expense recorded under “Selling, general and administrative expenses” breaks down as follows:

	Full year 2018	Full year 2017
Plan 16 and 16 bis	–	(1)
Plan 17 and 17 bis	–	–
Plan 18 and 18 bis	1	12
Plan 19	–	–
Plan 20	–	–
Plan 21 and 21 bis	–	4
Plan 22, 22 bis and 22 ter	19	20
Plan 23 and 24	–	–
Plan 25	9	11
Plan 26	19	23
Plan 27	1	1
Plan 28	–	–
Plan 29 and 29 bis	44	32
Plan 30	–	–
Plan 31 and 31 bis	33	–
<b>TOTAL</b>	<b>126</b>	<b>102</b>

In 2018, the Group also recorded an additional expense of EUR 9 million in relation with AVEVA subgroup's stock grant plan, bringing the total Group expense to EUR 135 million.

### Worldwide Employee Stock Purchase Plan

Schneider Electric gives its employees the opportunity to become group shareholders thanks to employee share issues. Employees in countries that meet legal and fiscal requirements have been proposed the classic plan.

Under the classic plan, employees may purchase Schneider Electric shares at a 15% discount to the price quoted for the shares on the stock market. Employees must then hold their shares for five years, except in certain cases provided for by law. The share-based payment expense recorded in accordance with IFRS 2 is measured by reference to the fair value of the discount on the locked-up shares. The lock-up cost is determined on the basis of a two-step strategy that involves first selling the locked-up shares on the forward market and then purchasing the same number of shares on the spot market (i.e., shares that may be sold at any time) using a bullet loan.

This strategy is designed to reflect the cost the employee would incur during the lock-up period to avoid the risk of carrying the shares subscribed under the classic plan. The borrowing cost corresponds to the cost of borrowing for the employees concerned, as they are the sole potential buyers in this market. It is based on the average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to a natural person with an average credit rating.

As regards the first semester 2018, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR 64.47 per share, as part of its commitment to employee share ownership, on April 3rd, 2018. This represented a 15% discount to the reference price of EUR 75.86 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

Altogether, 2.4 million shares were subscribed, increasing the Company's capital by EUR 155 million as of July 10, 2018. 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 2018 and 2017.

	Full year 2018		Full year 2017	
	%	Value	%	Value
<b>Plan characteristics:</b>				
Plan maturity (years)		5		5
Reference price (euros)		75.86		69.23
Subscription price (euros)		64.47		59.11
Discount:	15.0%		15.0%	
Amount subscribed by employees		155.2		142.7
Total amount subscribed		155.2		142.7
Total number of shares subscribed (millions of shares)		2.4		2.4
<b>Valuation assumptions:</b>				
Interest rate available to market participant (bullet loan) *	3.4%		3.8%	
Five-year risk-free interest rate (euro zone)	0.3%		0.3%	
Annual interest rate (repo)	1.0%		1.0%	
<b>Value of discount (a):</b>	15.0%	27.4	15.0%	24.4
<b>Value of the lock-up period for market participant (b)</b>	26.4%	48.1	23.8%	39.8
<b>TOTAL EXPENSE FOR THE GROUP (a)-(b)</b>		–		–
<b>Sensitivity</b>				
decrease in interest rate for market participant**	-0.5%	5.1	-0.5%	4.7

Amounts in millions of euros, unless otherwise stated.

\* Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to a natural person with an average credit rating.

\*\* A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

### 19.5 – Schneider Electric SE shares

At December 31, 2018, the Group held 29,691,016 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

The Group has repurchased 12.4 million shares for a total amount of EUR 829 million in 2018.

## 5. Notes to the consolidated financial statements

### 19.6 – Income tax recorded in equity

Total income tax recorded in Equity amounts to EUR 174 million as of December 31, 2018 and can be analyzed as follows:

	Dec. 31, 2018	Dec. 31, 2017	Change in tax
Cash-flow hedges revaluation	55	61	(6)
Financial assets revaluation	(7)	(7)	–
Actuarial gains (losses) on Defined Benefits	127	188	(61)
Other	(1)	(1)	–
<b>TOTAL</b>	<b>174</b>	<b>241</b>	<b>(67)</b>

### 19.7 – Non-controlling interests

The main contributor is AVEVA, for which 40% of the shares correspond to non-controlling interests for the Group.

## Note 20: 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 active employees.

### Defined Benefit Pension Plans

The Group's main Defined Benefit pension plans are located in the United Kingdom (UK) and the United States (US). They respectively represent 63% (2017: 61%) and 22% (2017: 26%) of the Group's total Defined Benefit Obligations (DBO) on pensions. The majority of benefit obligations under these plans, which represent 93% of the Group's total commitment at December 31, 2018, are partially or fully funded through payments to external funds. These funds are never invested in Group assets.

#### United Kingdom

The Group companies operate several Defined Benefit pension plans in the UK. The main one is related to the Invensys Pension Scheme. Pensions payable to employees depend on average final salary and length of service within the Group. These plans are registered schemes under UK tax law and managed by independent Boards of Trustees. They are closed to new entrants, and for most of them, the vested rights were frozen as they have been replaced by Defined Contributions plans.

These plans are funded by employer contributions, which are negotiated every three years based on plan valuations carried out by independent actuaries, so that the long term financing services are ensured.

In relation to risk management and asset allocation, the Board of Trustees' aims of each plan are to ensure that it can meet its obligations to the plan's beneficiaries both in the short and long term. The Board of Trustees is responsible for the plan's long-term investment strategy, defines and manages long-term investment strategies to reduce risks, including interest rate risks and longevity risks. A certain proportion of assets hedges the liability valuation change resulting from the interest rates evolution. Those assets are primarily invested in fixed income investments, particularly intermediate and longer term instruments.

Following the agreement reached with the Trustee of the Invensys Pension Scheme on February 2014, Schneider Electric SE guaranteed all obligations of the Invensys subsidiaries which participate in the scheme, up to a maximum amount of GBP 1.75 billion. At December 31, 2018, plan assets exceed the value of obligations subject to this guarantee and thus this guarantee cannot be called.

Schneider UK pension plans contain provisions of pension called Guaranteed Minimum Pension ("GMP"). GMPs were accrued for individuals who subscribed to the State Second Pension prior to 6 April 1997. Historically, there was an inequality in the benefits between male and female members concerning GMP.

A High Court case concluded on 26 October 2018, confirmed that all UK pension plans must equalize GMPs between men and women. In the light of these events and new information, the Group updated the related assumptions, leading to a net experience adjustment in "Other Comprehensive Income" of EUR 56 million.

#### United States

The United States' subsidiaries operate several Defined Benefit pension plans. These plans are closed to new entrants, frozen to future accruals and have been replaced by Defined Contributions plans. Pensions payable to employees depend on average final salary and length of service within the Group.

Each year, the Group companies contribute a certain amount to the Defined Benefit pension plans. This amount is determined actuarially and is comprised of service costs, administrative expenses and payments toward any existing deficits. Since the plans are closed and frozen, there is generally no service cost component.

The companies delegate various responsibilities to Pension Committees. These committees define and manage long-term investment strategies to reduce risks, including interest rate risks and longevity risks. A certain proportion of assets hedges the liability valuation change, resulting from the interest rates evolution. Those assets are primarily invested in fixed income investments, particularly intermediate and longer term instruments.

In 2018, Schneider Electric purchased annuities contracts to settle obligations in several of its defined benefits pension plans. The annuity contracts were purchased from high quality insurance companies in accordance with US regulations for such transactions. In total, DBO for USD 623 million was removed from the gross pension liability, requiring the use of USD 599 million of pension assets.

### Assumptions

Actuarial valuations are generally performed each year. The assumptions used vary according to the economic conditions prevailing in the country concerned, as follows:

	Group weighted average rate		Of which United Kingdom		Of which United States	
	2018	2017	2018	2017	2018	2017
Discount rate	3.00%	2.65%	2.85%	2.50%	4.33%	3.50%
Rate of compensation increases	3.25%	3.28%	3.53%	3.54%	n.a.	n.a.

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 AA and AAA investment-grade corporate bonds.

In the Euro zone, the discount rate currently stands at 1.25% for a 10 years duration and 1.75% for a 15 years duration.

### 20.1 – Changes in provisions for pensions and other post-employment benefit obligations

Annual changes in obligations, the market value of plan assets and the corresponding assets and provisions recognized in the financial statements can be analyzed as follows:

	DBO Benefit Obligation	Plan assets	Asset Ceiling	Net Liability
<b>DEC. 31, 2016</b>	<b>(11,537)</b>	<b>9,688</b>	<b>(133)</b>	<b>(1,982)</b>
Service cost	(53)	–	–	(53)
Past service cost	79	–	–	79
Curtailments and Settlements	342	(318)	–	24
Interest cost	(287)	–	(3)	(290)
Interest income	–	222	–	222
<b>Net impact in Profit &amp; Loss, (expenses)/profit</b>	<b>81</b>	<b>(96)</b>	<b>(3)</b>	<b>(18)</b>
of which UK	(150)	147	(3)	(6)
of which US	242	(250)	–	(8)
Benefits paid	620	(556)	–	64
Plan participants' contributions	(5)	5	–	–
Employer contributions	–	161	–	161
Changes in the scope of consolidation	1	–	–	1
Actuarial gains/(losses) recognized in equity	(4)	19	34	49
Translation adjustment	655	(535)	4	124
Other changes	–	–	–	–
<b>DEC. 31, 2017</b>	<b>(10,189)</b>	<b>8,686</b>	<b>(98)</b>	<b>(1,601)</b>
Service cost	(41)	–	–	(41)
Past service cost	6	–	–	6
Curtailments and Settlements	528	(508)	–	20
Interest cost	(258)	–	(2)	(260)
Interest income	–	199	–	199
<b>Net impact in Profit &amp; Loss, (expenses)/profit</b>	<b>235</b>	<b>(309)</b>	<b>(2)</b>	<b>(76)</b>
of which UK	(153)	148	(2)	(7)
of which US	444	(464)	0	(20)
Benefits paid	593	(534)	–	59
Plan participants' contributions	(5)	5	–	–
Employer contributions	–	167	–	167
Changes in the scope of consolidation	(99)	94	–	(5)
Actuarial gains/(losses) recognized in equity	611	(237)	(89)	285
Translation adjustment	(57)	29	2	(26)
Other changes	–	–	–	–
<b>DEC. 31, 2018</b>	<b>(8,911)</b>	<b>7,901</b>	<b>(187)</b>	<b>(1,197)</b>
of which UK	(5,592)	6,009	(187)	230
of which US	(1,961)	1,384	–	(577)

## 5. Notes to the consolidated financial statements

The total present value of Defined Benefit Obligations breaks down as follows between wholly or partly funded plans and wholly unfunded plans:

	Dec. 31, 2018	Dec. 31, 2017
Present value of wholly or partly funded benefit obligation	(8,261)	(9,528)
Fair value on plan assets	7,901	8,686
Effect of assets ceiling	(187)	(98)
<b>Net position of defined benefits wholly or partly funded</b>	<b>(547)</b>	<b>(940)</b>
<b>Present value of wholly unfunded benefit obligation</b>	<b>(650)</b>	<b>(661)</b>
<b>NET LIABILITY FROM FUNDED AND UNFUNDED PLANS</b>	<b>(1,197)</b>	<b>(1,601)</b>
<b>Balance Sheet impact:</b>		
<i>Surplus of plans recognized as assets</i>	361	182
<i>Provisions recognized as liabilities</i>	(1,558)	(1,783)

Changes in gross items recognized in equity were as follows:

	Full year 2018	Full year 2017
Actuarial (gains)/losses on Defined Benefit Obligations arising from demographic assumptions	(182)	7
Actuarial (gains)/losses on Defined Benefit Obligations arising from financial assumptions	(523)	97
Actuarial (gains)/losses on Defined Benefit Obligations from experience effects	94	(100)
Actuarial (gains)/losses on plan assets	237	(19)
Effect of the asset ceiling	89	(34)
<b>TOTAL RECOGNIZED IN EQUITY DURING THE PERIOD</b>	<b>(285)</b>	<b>(49)</b>
<i>of which UK</i>	172	36
<i>of which US</i>	92	(53)

## Plans asset allocation:

	Dec. 31, 2018	Dec. 31, 2017
Equity	11%	13%
Bonds	80%	80%
Others	9%	7%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

## 20.2 – Sensitivity analysis

The effect of a  $\pm 0.5\%$  change in the discount rate on the 2018 Defined Benefit Obligations is as follows:

	Total		United Kingdom		United States		Rest of the world	
	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
DBO impact	(532)	595	(353)	395	(103)	113	(76)	87



## Note 21: Provisions for contingencies and charges

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
<b>DEC. 31, 2016</b>	<b>907</b>	<b>103</b>	<b>452</b>	<b>340</b>	<b>164</b>	<b>541</b>	<b>2,507</b>
<i>Long-term portion</i>	710	87	164	330	18	341	1,650
Additions	82	19	145	10	125	126	507
Discounting effect	–	–	–	–	–	–	–
Utilizations	(79)	(11)	(98)	(18)	(121)	(151)	(478)
Reversals of unused provisions	(24)	(12)	(15)	(7)	(3)	(19)	(80)
Translation adjustments	(64)	(11)	(29)	(34)	(7)	(53)	(198)
Changes in the scope of consolidation and other	(1)	6	(10)	(1)	(4)	25	15
<b>DEC. 31, 2017</b>	<b>821</b>	<b>94</b>	<b>445</b>	<b>290</b>	<b>154</b>	<b>469</b>	<b>2,273</b>
<i>Long-term portion</i>	615	64	153	276	8	315	1,431
Additions	93	13	146	12	87	98	449
Discounting effect	–	–	–	–	–	–	–
Utilizations	(204)	(23)	(112)	(26)	(104)	(119)	(588)
Reversals of unused provisions	(10)	(14)	(11)	(4)	(13)	(10)	(62)
Translation adjustments	4	2	(3)	11	(1)	11	24
Changes in the scope of consolidation and other	28	1	2	17	(1)	(12)	35
<b>DEC. 31, 2018</b>	<b>732</b>	<b>73</b>	<b>467</b>	<b>300</b>	<b>122</b>	<b>437</b>	<b>2,131</b>
<i>Long-term portion</i>	499	50	144	265	13	281	1,253

- **Economic risks:** these provisions cover tax risks and financial risks arising primarily from litigation;
- **Customer risks:** provisions for customer risks mainly integrate the provisions for losses at completion for some of long term contracts.
- **Product risks:** these provisions are primarily established to cover risks arising from products sold to third parties. This risk consists of claims based on alleged product defects and product liability. These provisions comprise:
  - statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance;
  - provisions for disputes over defective products;
  - provisions to cover disputes related to recalls of clearly identified products.
- **Environmental risks:** these provisions are primarily funded to cover clean-up costs;
- **Other risks:** these provisions cover, in particular, insurance risks associated with the Group's captive insurance companies, certain historical legal risks, and certain provisions relating to employees, along with miscellaneous other risks.

**Reconciliation with cash flow statement:** the increase and decrease in provisions retreated at statutory cash flow were as follows:

	Full year 2018	Full year 2017
Increase of provision	449	507
Utilization of provision	(589)	(478)
Reversal of surplus provision	(61)	(80)
<b>Provision variance including tax provisions but excluding employee benefit obligation</b>	<b>(201)</b>	<b>(51)</b>
(Tax provisions net variance)	92	28
<b>Provision variance excluding tax provisions and pension benefit obligation</b>	<b>(109)</b>	<b>(23)</b>
Employee benefit obligation net variance excluding contribution to plan assets	26	(46)
<b>INCREASE/(DECREASE) IN PROVISIONS IN CASH-FLOW STATEMENT</b>	<b>(83)</b>	<b>(69)</b>

## 5. Notes to the consolidated financial statements

**Note 22: Total current and non-current financial liabilities**

The breakdown of net debt is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Bonds	6,406	6,375
Bank and other borrowings	17	23
Employee profit sharing	3	4
Short-term portion of convertible and non-convertible bonds	(500)	(749)
Short-term portion of long-term debt	(3)	(3)
<b>NON-CURRENT FINANCIAL LIABILITIES</b>	<b>5,923</b>	<b>5,650</b>
Commercial paper	610	330
Accrued interest	31	58
Other short-term borrowings	300	273
Drawdown of funds from lines of credit	–	–
Bank overdrafts	130	278
Short-term portion of convertible and non-convertible bonds	500	749
Short-term portion of long-term debt	3	3
<b>SHORT-TERM DEBT</b>	<b>1,574</b>	<b>1,691</b>
<b>TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES</b>	<b>7,497</b>	<b>7,341</b>
<b>CASH AND CASH EQUIVALENTS (SEE NOTE 18)</b>	<b>(2,361)</b>	<b>(3,045)</b>
<b>NET DEBT</b>	<b>5,136</b>	<b>4,296</b>

**22.1 – Breakdown by maturity**

	Dec. 31, 2018			Dec. 31, 2017
	Nominal	Interests	Swaps	Nominal
2018	–	–	–	1,691
2019	1,591	98	–	523
2020	499	89	–	498
2021	599	74	–	598
2022	696	58	–	664
2023	795	39	–	795
2024	792	30	–	790
2025	1,043	22	–	1,042
2026 and beyond	1,482	21	–	740
<b>TOTAL</b>	<b>7,497</b>	<b>431</b>	<b>0</b>	<b>7,341</b>

**22.2 – Breakdown by currency**

	Dec. 31, 2018	Dec. 31, 2017
Euro	6,563	6,253
US Dollar	746	696
Russian Ruble	38	75
Indian Rupee	48	51
Brazilian Real	36	69
Argentinian Peso	–	27
Algerian Dinar	28	27
Chilean Peso	26	24
Other	12	119
<b>TOTAL</b>	<b>7,497</b>	<b>7,341</b>

## 22.3 – Bonds

	Dec. 31, 2018	Dec. 31, 2017	Effective interest rate	Maturity
Schneider Electric SE 2018	–	749	3.750% fixed	July 2018
Schneider Electric SE 2019	500	499	3.500% fixed	January 2019
Schneider Electric SE 2020	499	498	3.625% fixed	July 2020
Schneider Electric SE 2021	599	598	2.500% fixed	September 2021
Schneider Electric SE 2022	696	664	2.950% fixed	September 2022
Schneider Electric SE 2023	795	795	1.500% fixed	September 2023
Schneider Electric SE 2024	792	790	0.250% fixed	September 2024
Schneider Electric SE 2025	743	742	0.875% fixed	March 2025
Schneider Electric SE 2025	300	300	1.841% fixed	October 2025
Schneider Electric SE 2026	741	740	0.875% fixed	December 2026
Schneider Electric SE 2027	741	–	1.375% fixed	June 2027
<b>TOTAL</b>	<b>6,406</b>	<b>6,375</b>		

Schneider Electric SE has issued bonds on different markets:

- in the United States, through a private placement offering following SEC 144A rule, for USD 800 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, 2018 are as follow:
  - EUR 500 million worth of bonds issued in September 2011, at a rate of 3.5%, maturing in January 2019,
  - EUR 500 million worth of bonds issued in July 2010, at a rate of 3.625%, maturing in July 2020,
  - EUR 600 million worth of bonds issued in September 2013, at a rate of 2.5%, maturing in September 2021,
  - EUR 800 million worth of bonds issued in September 2015 at a rate of 1.50%, maturing in September 2023,
  - EUR 800 million worth of bonds issued in September 2016, at a rate of 0.25%, maturing in September 2024,
  - EUR 200 million and EUR 100 million worth of Climate bonds issued successively in October and December 2015, at a rate of 1.841%, maturing in October 2025,
  - EUR 750 million worth of bonds issued in March 2015, at a rate of 0.875%, maturing in March 2025,
  - EUR 750 million worth of bonds issued in December 2017, at a rate of 0.875%, maturing in December 2026,
  - EUR 750 million worth of bonds issued in June 2018, at a rate of 1.375%, maturing in June 2027,

For all those transactions, issue premium and issue costs are amortized per the effective interest rate method.

## 22.4 – Reconciliation with cash flow statement

	Dec. 31, 2017	Cash variation	Non-Cash variations			Dec. 31, 2018
			Scope impacts	Forex impacts	Other	
Bonds	6,375	(9)	–	40	–	6,406
Bank overdrafts and other Short-Term borrowings	966	220	–	(95)	–	1,091
<b>TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES</b>	<b>7,341</b>	<b>211</b>	<b>–</b>	<b>(55)</b>	<b>–</b>	<b>7,497</b>

## 22.5 – Other information

At December 31, 2018 Schneider Electric had confirmed credit lines of EUR 2,675 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.

## 5. Notes to the consolidated financial statements

## Note 23: Classification of financial instruments

The Group uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and metal prices.

Financial assets and liabilities can be classified at the fair value following the hierarchy levels below:

1. **Level 1:** market value (non-adjusted) on active markets, for similar assets and liabilities, which the company can obtain on a given valuation date;
2. **Level 2:** data other than the market rate available for level 1, which are directly or indirectly observable on the market;
3. **Level 3:** data on the asset or liability that are not observable on the market.

## 23.1 – Balance sheet exposure and fair value hierarchy

	Dec. 31, 2018					
	Carrying Amount	Fair value through P&L	Fair value through equity	Financial assets/liabilities measured at amortized cost	Fair value	Fair value hierarchy
<b>ASSETS</b>						
Listed financial assets	25	–	25	–	25	Level 1
Venture capital (FCPR)/Mutual funds (SICAV)	97	97	–	–	97	Level 3
Other Unlisted financial assets	81	–	81	–	81	Level 3
Other non-current financial assets	462	–	–	462	462	Level 3
<b>TOTAL NON-CURRENT ASSETS</b>	<b>665</b>	<b>97</b>	<b>106</b>	<b>462</b>	<b>665</b>	
Trade accounts receivable	5,804	–	–	5,804	5,804	Level 3
Current financial assets	43	43	–	–	43	Level 3
Marketable securities	527	527	–	–	527	Level 1
Derivative instruments – foreign currencies	39	25	14	–	39	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	–	–	–	–	–	Level 2
Derivative instruments – shares	6	6	–	–	6	Level 2
<b>TOTAL CURRENT ASSETS</b>	<b>6,419</b>	<b>601</b>	<b>14</b>	<b>5,804</b>	<b>6,419</b>	
<b>LIABILITIES</b>						
Long-term portion of bonds*	(5,906)	–	–	(5,906)	(6,045)	Level 1
Other long-term debt	(17)	–	–	(17)	(17)	Level 3
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>(5,923)</b>	<b>–</b>	<b>–</b>	<b>(5,923)</b>	<b>(6,062)</b>	
Short-term portion of bonds*	(500)	–	–	(500)	(500)	Level 1
Short-term debt	(503)	–	–	(503)	(503)	Level 3
Trade accounts payable	(4,142)	–	–	(4,142)	(4,142)	Level 3
Other	(40)	–	–	(40)	(40)	Level 3
Derivative instruments – foreign currencies	(40)	(27)	(13)	–	(40)	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	(12)	–	(12)	–	(12)	Level 2
Derivative instruments – shares	–	–	–	–	–	Level 2
<b>TOTAL CURRENT LIABILITIES</b>	<b>(5,237)</b>	<b>(27)</b>	<b>(25)</b>	<b>(5,186)</b>	<b>(5,237)</b>	

\* 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 EUR 6,406 million compared to EUR 6,545 million at fair value.

Dec. 31, 2017						
	Carrying Amount	Fair value through P&L	Fair value through equity	Financial assets/ liabilities measured at amortized cost	Fair value	Fair value hierarchy
<b>ASSETS</b>						
Listed financial assets	26	–	26	–	26	Level 1
Venture capital (FCPR)/Mutual funds (SICAV)	94	94	–	–	94	Level 3
Other Unlisted financial assets	35	–	35	–	35	Level 3
Other non-current financial assets	281	–	–	462	281	Level 3
<b>TOTAL NON-CURRENT ASSETS</b>	<b>436</b>	<b>94</b>	<b>61</b>	<b>281</b>	<b>436</b>	
Trade accounts receivable	5,763	–	–	5,763	5,763	Level 3
Current financial assets	32	32	–	–	32	Level 3
Marketable securities	1,393	1,393	–	–	1,393	Level 1
Derivative instruments – foreign currencies	111	95	16	–	111	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	12	–	12	–	12	Level 2
Derivative instruments – shares	12	6	–	–	12	Level 2
<b>TOTAL CURRENT ASSETS</b>	<b>7,323</b>	<b>1,532</b>	<b>28</b>	<b>5,763</b>	<b>7,323</b>	
<b>LIABILITIES</b>						
Long-term portion of bonds	(5,626)	–	–	(5,626)	(5,953)	Level 1
Other long-term debt	(24)	–	–	(24)	(24)	Level 3
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>(5,650)</b>	<b>–</b>	<b>–</b>	<b>(5,650)</b>	<b>(5,677)</b>	
Short-term portion of bonds	(749)	–	–	(749)	(749)	Level 1
Short-term debt	(942)	–	–	(942)	(942)	Level 3
Trade accounts payable	(4,206)	–	–	(4,206)	(4,206)	Level 3
Other	(37)	–	–	(37)	(37)	Level 3
Derivative instruments – foreign currencies	(77)	(77)	–	–	(77)	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	–	–	–	–	–	Level 2
Derivative instruments – shares	–	–	–	–	–	Level 2
<b>TOTAL CURRENT LIABILITIES</b>	<b>(5,237)</b>	<b>(77)</b>	<b>–</b>	<b>(5,934)</b>	<b>(5,237)</b>	

### 23.2 – Derivative instruments

Dec.31, 2018								
	Accounting Qualification	Maturity	Nominal Sales	Nominal Purchases	Fair Value	Carrying Amounts in Assets	Carrying Amounts in Liabilities	Carrying Amounts in OCI
Forward contracts	Trading	< 2 years	1,850	(1,008)	7	23	(16)	–
Forward contracts	CFH	< 1 year	128	(28)	–	1	–	1
<b>FX derivatives related to operating</b>			<b>1,978</b>	<b>(1,036)</b>	<b>7</b>	<b>24</b>	<b>(16)</b>	<b>1</b>
Forward contracts	FVH	< 1 year	506	(945)	(2)	3	(5)	1
Forward contracts	NIH	< 1 year	1,105	–	(3)	3	(6)	(2)
Forward contracts	Trading	< 1 year	1,417	(2,413)	1	9	(11)	–
Cross currency swaps	CFH	< 2 years	–	(187)	(2)	–	(2)	(1)
<b>FX derivatives related to financing</b>			<b>3,028</b>	<b>(3,545)</b>	<b>(6)</b>	<b>15</b>	<b>(24)</b>	<b>(2)</b>
<b>TOTAL FX DERIVATIVES</b>			<b>5,006</b>	<b>(4,581)</b>	<b>1</b>	<b>39</b>	<b>(40)</b>	<b>(1)</b>
Forward contracts	CFH	< 1 year	–	(229)	(12)	6	(18)	(12)
<b>Commodities derivatives</b>			<b>–</b>	<b>(229)</b>	<b>(12)</b>	<b>6</b>	<b>(18)</b>	<b>(12)</b>
Options	Trading	< 1 year	–	–	6	6	–	–
<b>Shares derivatives</b>			<b>–</b>	<b>(12)</b>	<b>6</b>	<b>6</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>			<b>5,006</b>	<b>(4,822)</b>	<b>(5)</b>	<b>51</b>	<b>(58)</b>	<b>(13)</b>

## 5. Notes to the consolidated financial statements

## Foreign currency hedges

Since a significant proportion of affiliates' transactions are denominated in currencies other than their functional currencies, the Group is exposed to currency risks. If the Group is not able to hedge these risks, fluctuations in exchange rates between the functional currencies and other currencies can have a significant impact on its results and distort year-on-year performance comparisons. As a result, the Group uses derivative instruments to hedge its exposure to exchange rates mainly through futures and natural hedges. Furthermore, some long-term loans and borrowings granted to the affiliates are considered as net investment according to IAS 21.

The Group manages its 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.

The breakdown of the nominal of FX derivatives related to operating and financing activities is as follows:

	Dec. 31, 2018		
	Sales	Purchases	Net
USD	2,927	(1,514)	1,413
GBP	318	(665)	(347)
SGD	371	(415)	(44)
CNY	249	(706)	(457)
HKD	137	(19)	118
AED	64	(27)	37
HUF	99	(99)	–
IDR	24	(62)	(38)
SEK	49	(278)	(229)
CAD	177	(71)	106
NOK	85	(11)	74
DKK	14	(115)	(101)
AUD	90	(89)	1
RUB	69	(8)	61
CHF	23	(124)	(101)
SAR	49	(5)	44
ZAR	46	(8)	37
Others	215	(365)	(150)
<b>TOTAL</b>	<b>5,006</b>	<b>(4,581)</b>	<b>425</b>

These forward currency hedging positions include EUR 517 million in hedges of loans and borrowings of a financial nature (net purchases) and EUR 942 million in hedges of operating cash flows.

## Interest rate hedges

Interest rate risk on borrowings is managed at the Group level, based on consolidated debt and taking into consideration market conditions to optimize overall borrowing costs. The Group uses derivative instruments to hedge its exposure to interest rates through swaps.

The Group didn't use any derivative instrument to hedge its exposure to interest rates during the fiscal year 2018.

	Dec. 31, 2018			Dec. 31, 2017		
	Fixed rates	Floating rates	Total	Fixed rates	Floating rates	Total
Total current and non-current financial liabilities	6,406	1,091	7,497	6,375	966	7,341
Cash and cash equivalent	–	(2,361)	(2,361)	–	(3,045)	(3,045)
<b>NET DEBT BEFORE HEDGING</b>	<b>6,406</b>	<b>(1,270)</b>	<b>5,136</b>	<b>6,375</b>	<b>(2,079)</b>	<b>4,296</b>
Impact of hedges	–	–	–	–	–	–
<b>NET DEBT AFTER HEDGING</b>	<b>6,406</b>	<b>(1,270)</b>	<b>5,136</b>	<b>6,375</b>	<b>(2,079)</b>	<b>4,296</b>

### Commodity 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 the Group is not able to hedge, compensate for or pass on to customers any such increased costs, this could have an adverse impact on its 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, 2018	Dec. 31, 2017
Carrying amount	(12)	12
Nominal amount	(230)	(153)

### 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:

(in million euros except for the number of shares)	Dec. 31, 2018	Dec. 31, 2017
Outstanding shares	275,570	400,146
Carrying amount	6	12
Nominal amount	(13)	(17)

### 23.3 – Financial assets and liabilities subject to netting

In accordance with IFRS 7 standards, this section discloses financial instruments that are subject to netting agreements.

	Dec. 31, 2018				
	Gross amounts (a)	Gross amounts offset in the statement of financial position (b)	Net amounts presented in the statement of financial position (c)=(a)-(b)	Related amount not offset in the statement of financial position (d)	Net amount, as per IFRS 7 (e)=(c)-(d)
Financial assets	45	–	45	24	21
Financial liabilities	63	–	63	24	39

	Dec. 31, 2017				
	Gross amounts (a)	Gross amounts offset in the statement of financial position (b)	Net amounts presented in the statement of financial position (c)=(a)-(b)	Related amount not offset in the statement of financial position (d)	Net amount, as per IFRS 7 (e)=(c)-(d)
Financial assets	354	225	129	47	82
Financial liabilities	(305)	(225)	(80)	(47)	(33)

The Group trades over-the-counter derivatives with tier-one banks under agreements which provide for the offsetting of amounts payable and receivable in the event of default by one of the contracting parties. These conditional offsetting agreements do not meet the eligibility criteria within the meaning of IAS 32 for offsetting derivative instruments recorded under assets and liabilities. However, they do fall within the scope of disclosures under IFRS 7 on offsetting.

### 23.4 – Counterparty risk

Financial transactions are entered 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.

## 5. Notes to the consolidated financial statements

## Note 24: Employees

## 24.1 – Employees

The Group average number of permanent and temporary employees is as follows:

<i>(number of employees)</i>	<b>Full year 2018</b>	Full year 2017
Production	80,703	80,895
Administration	71,355	72,229
<b>TOTAL AVERAGE WORKFORCE EXCLUDING AVEVA AND IGE + XAO</b>	<b>152,058</b>	<b>153,124</b>
AVEVA AND IGE+XAO	3,228	–
<b>TOTAL AVERAGE WORKFORCE</b>	<b>155,286</b>	<b>153,124</b>
<i>of which EMEAS*</i>	70,418	69,726
<i>of which North America</i>	32,300	30,766
<i>of which Asia-Pacific</i>	52,568	52,632

\* Europe, Middle-East, Africa, South America.

The full-time equivalent number of employees, excluding supplementary personnel changed from 141,503 at 2017 year end, to 141,446 at 2018 year end. Including 4,822 people from AVEVA and IGE+XAO.

## 24.2 – Employee benefits expense

	<b>Full year 2018</b>	Full year 2017
Payroll costs	(6,082)	(6,045)
Profit-sharing	(64)	(65)
Stock options and performance shares	(135)	(102)
<b>EMPLOYEE BENEFITS EXPENSE</b>	<b>(6,281)</b>	<b>(6,212)</b>

## 24.3 – Benefits granted to senior executives

In 2018, the Group paid EUR 1.8 million in attendance fees to the members of its Board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2018 by the Group to the members of Senior Management, excluding executive directors, totaled EUR 17.3 million, of which EUR 5.5 million corresponded to the variable portion.

During the last three periods, 599,500 performance shares have been allocated to members of Senior Management, excluding Corporate Officers. No stock options have been granted to members of Senior Management during the last three financial years. Performance shares were allocated under the 2018 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 EUR 5 million at December 31, 2018 versus EUR 8 million at December 31, 2017.

Please refer to Chapter 4 Section 5 of the registration document for more information regarding the members of Senior Management.



## Note 25: Related party transactions

### 25.1 – Associates

Companies over which the Group has significant influence are accounted through the equity method. Transactions with these related parties are carried out on arm's length terms.

Related party transactions were not significant in 2018.

### 25.2 – 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 24.3.

## Note 26: Commitments and contingent liabilities

### 26.1 – Guarantees and similar undertakings

The following table discloses the maximum exposure on guaranties given and received:

	Dec. 31, 2018	Dec. 31, 2017
Market counter guarantees*	3,105	2,854
Pledges, mortgages and sureties**	7	11
Other commitments given	432	435
<b>GUARANTEES GIVEN</b>	<b>3,544</b>	<b>3,300</b>
Endorsements and guarantees received	48	68
<b>GUARANTEES RECEIVED</b>	<b>48</b>	<b>68</b>

\* On certain contracts, customers require some commitments to guarantee that the contract will be fully executed by the subsidiaries of the Group. 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. Market counter guarantees also include the guaranteed obligations towards pensions Scheme.

\*\* Certain loans are secured by property, plant and equipment and securities lodged as collateral.

Lease commitments are disclosed in Note 11.3.

### 26.2 – Contingent liabilities

As part of its normal operations, the Group is exposed to a number of potential claims and litigations. Except for those for which it is probable that the Group will occur a liability and a provision established for such outcome (see Note 21 – Provisions for contingencies and charges), the Group is not aware of other potentially material claims and litigations.

Specifically, the Group has not been advised to date of any claim/allegations related to the investigation conducted in France by French public agencies or the antitrust investigation currently conducted by public agencies in Spain. The Group is fully cooperating with the French and Spanish authorities on these matters.

## Note 27: Subsequent events

### 27.1 – Bond issuance

In January 9, 2019 the Group launched a EUR 500 million EMTN (Euro Medium Term Note) issue maturing in 9 years with a fixed coupon rate of 1.50%.

### 27.2 – Delixi Electric Ltd., China

In January 4, 2019, the Group announced that Delixi Electric Ltd., China (50% owned at by the Group) was expanding its business through two complementary acquisitions. It has acquired Zhejiang Delixi International Electric Industry Co., Ltd., a manufacturer of wiring devices, and Delixi Instrument & Meter Co., Ltd., a provider of tariff, power and gas meters. The acquired businesses will expand Delixi Electric's product offering and offer opportunities for cost and revenue synergies. Pro-forma for the two acquisitions, Delixi Electric's annual revenues would be close to RMB 8 billion (c. EUR 1 billion). The acquisitions have been funded by Delixi Electric through cash on balance sheet and bank debt. The Group accounts for its investment in Delixi Electric using the equity method.

## 5. Notes to the consolidated financial statements

**Note 28: Statutory Auditors' fees**

Fees paid by the Group to the statutory auditors and their networks:

(in thousands of euros)	Full year 2018				
	EY	%	Mazars	%	TOTAL
<b>Audit</b>					
Statutory auditing	9,884	94%	7,948	91%	17,832
<i>o/w Schneider Electric SE</i>	104		104		
<i>o/w subsidiaries</i>	9,780		7,844		
Related audit services ("SACC")	424	4%	688	8%	1,112
<i>o/w Schneider Electric SE</i>	232		13		
<i>o/w subsidiaries</i>	192		675		
<b>Audit sub-total</b>	<b>10,309</b>	<b>98%</b>	<b>8,636</b>	<b>99%</b>	<b>18,945</b>
<b>Non-audit services</b>	<b>233</b>	<b>2%</b>	<b>96</b>	<b>1%</b>	<b>329</b>
<b>TOTAL FEES</b>	<b>10,541</b>	<b>100%</b>	<b>8,732</b>	<b>100%</b>	<b>19,273</b>

(in thousands of euros)	Full year 2017				
	EY	%	Mazars	%	TOTAL
<b>Audit</b>					
Statutory auditing	11,152	85%	7,776	89%	18,928
<i>o/w Schneider Electric SE</i>	102		102		
<i>o/w subsidiaries</i>	11,050		7,674		
Related audit services ("SACC")	1,152	9%	908	11%	2,060
<i>o/w Schneider Electric SE</i>	752		37		
<i>o/w subsidiaries</i>	400		871		
<b>Audit sub-total</b>	<b>12,304</b>	<b>94%</b>	<b>8,684</b>	<b>100%</b>	<b>20,988</b>
Non-audit services	742	6%	10	–	752
<b>TOTAL FEES</b>	<b>13,046</b>	<b>100%</b>	<b>8,694</b>	<b>100%</b>	<b>21,740</b>

## Note 29: Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below.

		% Interest Dec. 31, 2018	% Interest Dec. 31, 2017
<b>Europe</b>			
<i>Fully consolidated</i>			
Invensys Systems GmbH	Austria	100.0	100.0
NXT Control GmbH	Austria	100.0	100.0
Schneider Electric Austria GmbH	Austria	100.0	100.0
Schneider Electric Power Drives GmbH	Austria	100.0	100.0
Schneider Electric Bel	Belarus	100.0	100.0
Invensys Systems NV/SA	Belgium	100.0	100.0
Schneider Electric Energy Belgium SA	Belgium	100.0	100.0
Schneider Electric ESS BVBA	Belgium	100.0	100.0
Schneider Electric NV/SA	Belgium	100.0	100.0
Schneider Electric Services International SPRL	Belgium	100.0	100.0
Schneider Electric Bulgaria EOOD	Bulgaria	100.0	100.0
Schneider Electric d.o.o	Croatia	100.0	100.0
Schneider Electric AS	Czech Republic	98.3	98.3
Schneider Electric CZ sro	Czech Republic	100.0	100.0
Schneider Electric Systems Czech Republic sro	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 AS	Estonia	100.0	100.0
Schneider Electric Finland Oy	Finland	100.0	100.0
Schneider Electric Fire & Security OY	Finland	100.0	100.0
Vamp OY	Finland	100.0	100.0
Behar sécurité	France	100.0	100.0
Boissière Finance SNC	France	100.0	100.0
Construction Electrique du Vivarais SAS	France	100.0	100.0
Dinel SAS	France	100.0	100.0
Eckardt	France	100.0	100.0
Eurotherm Automation SASU	France	100.0	100.0
France Transfo SAS	France	100.0	100.0
IGE+XAO SA	France	67.9	–
Invensys Systems France SASU	France	100.0	100.0
Merlin Gerin Alès SAS	France	100.0	100.0
Merlin Gerin Loire SAS	France	100.0	100.0
Muller & Cie SA	France	100.0	100.0
Newlog SAS	France	100.0	100.0
Prodipact SAS	France	100.0	100.0
Rectiphase SAS	France	100.0	100.0
Sarel – Appareillage Electrique SAS	France	99.0	99.0
Scanelec SAS	France	100.0	100.0
Schneider Electric Energy France SAS	France	100.0	100.0
Schneider Electric France SAS	France	100.0	100.0
Schneider Electric Holding Amérique du Nord SAS	France	100.0	100.0
Schneider Electric Industries SAS	France	100.0	100.0
Schneider Electric International SAS	France	100.0	100.0
Schneider Electric IT France	France	100.0	100.0
Schneider Electric Manufacturing Bourguebus SAS	France	100.0	100.0
Schneider Electric SE (Société mère)	France	100.0	100.0
Schneider Electric Solar France	France	100.0	–
Schneider Electric Telecontrol SAS	France	100.0	100.0
Schneider Toshiba Inverter Europe SAS	France	60.0	60.0
Schneider Toshiba Inverter SAS	France	60.0	60.0
Société d'Appareillage Electrique Gardy SAS	France	100.0	100.0
Société d'Application et d'Ingenierie Industrielle et Informatique SAS – SA3I	France	100.0	100.0
Société Electrique d'Aubenas SAS	France	100.0	100.0
Société Française de Construction Mécanique et Electrique SA	France	100.0	100.0
Société Française Gardy SA	France	100.0	100.0
Systèmes Equipements Tableaux Basse Tension SAS	France	100.0	100.0
Transfo Services SAS	France	100.0	100.0

## 5. Notes to the consolidated financial statements

		% Interest Dec. 31, 2018	% Interest Dec. 31, 2017
Transformateurs SAS	France	100.0	100.0
ABN Braun GmbH	Germany	100.0	100.0
Eberle Controls GmbH	Germany	100.0	100.0
Foxboro-Eckardt GmbH	Germany	100.0	100.0
Merten GmbH	Germany	100.0	100.0
Schneider Electric Automation GmbH	Germany	100.0	100.0
Schneider Electric Deutschland GmbH	Germany	100.0	100.0
Schneider Electric GmbH	Germany	100.0	100.0
Schneider Electric Real Estate GmbH	Germany	100.0	100.0
Schneider Electric Sachsenwerk GmbH	Germany	100.0	100.0
Schneider Electric Systems Germany GmbH	Germany	100.0	100.0
Schneider Electric AEBE	Greece	100.0	100.0
Schneider Electric Energy Hungary LTD	Hungary	100.0	100.0
Schneider Electric Hungaria Villamossagi ZRT	Hungary	100.0	100.0
SE – CEE Schneider Electric Közép-Kelet Europai KFT	Hungary	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
Eliwell Controls S.r.l.	Italy	100.0	100.0
Eurotherm S.r.l.	Italy	100.0	100.0
Schneider Electric Industrie Italia Spa	Italy	100.0	100.0
Schneider Electric Spa	Italy	100.0	100.0
Schneider Electric Systems Italia Spa	Italy	100.0	100.0
Uniflair Spa	Italy	100.0	100.0
Lexel Fabrika SIA	Latvia	100.0	100.0
Schneider Electric Baltic Distribution Center	Latvia	100.0	100.0
Schneider Electric Latvija SIA	Latvia	100.0	100.0
UAB Schneider Electric Lietuva	Lithuania	100.0	100.0
Industrielle de Réassurance SA	Luxembourg	100.0	100.0
American Power Conversion Corp (A.P.C.) BV	Netherlands	100.0	100.0
APC International Corporation BV	Netherlands	100.0	100.0
APC International Holdings BV	Netherlands	100.0	100.0
Pelco Europe BV	Netherlands	100.0	100.0
Pro-Face HMI BV (sub-group)	Netherlands	100.0	100.0
Schneider Electric BV	Netherlands	100.0	100.0
Schneider Electric Logistic Centre BV	Netherlands	100.0	100.0
Schneider Electric Manufacturing The Netherlands BV	Netherlands	100.0	100.0
Schneider Electric The Netherlands BV	Netherlands	100.0	100.0
ELKO AS	Norway	100.0	100.0
Eurotherm AS	Norway	100.0	100.0
Lexel Holding Norge AS	Norway	100.0	100.0
Schneider Electric Norge AS	Norway	100.0	100.0
Elda Eltra Elektrotehnika S.A. (ex Eltra SA)	Poland	100.0	100.0
Invensys Eurotherm Sp. Z.o.o.	Poland	100.0	100.0
Invensys Systems Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Industries Polska Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Polska Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Transformers Poland	Poland	100.0	–
Schneider Electric Portugal LDA	Portugal	100.0	100.0
Schneider Electric Romania SRL	Romania	100.0	100.0
DIN Elektro Kraft OOO	Russia	100.0	100.0
OOO Potential	Russia	100.0	100.0
OOO Schneider Electric Zavod Electromonoblock	Russia	100.0	100.0
Schneider Electric Innovation center	Russia	100.0	–
Schneider Electric Systems LLC	Russia	100.0	100.0
Schneider Electric URAL LLC	Russia	100.0	100.0
ZAO Gruppa Kompaniy Electroshield	Russia	100.0	100.0
ZAO Schneider Electric	Russia	100.0	100.0
Schneider Electric Srbija doo Beograd	Serbia	100.0	100.0
Schneider Electric Slovakia Spol SRO	Slovakia	100.0	100.0
Schneider Electric Systems Slovakia SRO	Slovakia	100.0	100.0
Schneider Electric d.o.o.	Slovenia	100.0	100.0
Invensys Operations Management Espana S.L.U.	Spain	100.0	100.0
Manufacturas Electricas SA	Spain	100.0	100.0

		% Interest Dec. 31, 2018	% Interest Dec. 31, 2017
Schneider Electric Espana SA	Spain	100.0	100.0
Schneider Electric IT, Spain SL	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
Eurotherm AB	Sweden	100.0	100.0
Lexel AB	Sweden	100.0	100.0
Schneider Electric Buildings AB	Sweden	100.0	100.0
Schneider Electric Distribution Centre AB	Sweden	100.0	100.0
Schneider Electric Sverige AB	Sweden	100.0	100.0
Telvent Sweden AB	Sweden	100.0	100.0
Eurotherm-Produkte (Schweiz) AG	Switzerland	100.0	100.0
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100.0	100.0
Schneider Electric (Schweiz) AG	Switzerland	100.0	100.0
Schneider Electric Ukraine	Ukraine	100.0	100.0
Andromeda Telematics Ltd	United Kingdom	100.0	100.0
AVEVA GROUP PLC	United Kingdom	60.0	–
Avtron Loadbank Worldwide Co. LTD.	United Kingdom	100.0	100.0
BTR Property Holdings Ltd	United Kingdom	100.0	100.0
CBS Group Ltd	United Kingdom	100.0	100.0
Eurotherm Ltd (UK)	United Kingdom	100.0	100.0
Imserv Europe Ltd	United Kingdom	100.0	100.0
Invensys Holdings Ltd	United Kingdom	100.0	100.0
M&C Energy Group Ltd	United Kingdom	100.0	100.0
N.J. Froment & Co. Limited	United Kingdom	100.0	100.0
Samos Acquisition Company Ltd	United Kingdom	100.0	100.0
Schneider Electric (UK) Ltd	United Kingdom	100.0	100.0
Schneider Electric Buildings UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Controls UK Ltd	United Kingdom	100.0	100.0
Schneider Electric IT UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Ltd	United Kingdom	100.0	100.0
Schneider Electric Systems UK Ltd	United Kingdom	100.0	100.0
Serck Control and Safety Ltd	United Kingdom	100.0	100.0
<i>Accounted for by equity method</i>			
Aveltys	France	51.0	51.0
Delta Dore Finance SA (sub-group)	France	20.0	20.0
Energy Pool Development	France	25.0	25.0
Epsys SAS	France	–	20.0
Schneider Lucibel Managed Services SAS	France	47.0	47.0
Møre 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
<b>North America</b>			
<i>Fully consolidated</i>			
Power Measurement Ltd.	Canada	100.0	100.0
Schneider Electric Canada Inc.	Canada	100.0	100.0
Schneider Electric Solar Inc.	Canada	100.0	–
Schneider Electric Systems Canada Inc.	Canada	100.0	100.0
Viconics Technologies Inc.	Canada	100.0	100.0
Electronica Reynosa S. de R.L. de C.V.	Mexico	100.0	100.0
Industrias Electronicas Pacifico, SA de CV	Mexico	100.0	100.0
Invensys Group Services Mexico	Mexico	100.0	100.0
Schneider Electric IT Mexico SA de CV	Mexico	100.0	100.0
Schneider Electric Mexico, SA de CV	Mexico	100.0	100.0
Schneider Electric Systems Mexico SA	Mexico	100.0	100.0
Schneider Industrial Tlaxcala, SA de CV	Mexico	100.0	100.0
Schneider Mexico, SA de CV	Mexico	100.0	100.0
Schneider R&D, SA de CV	Mexico	100.0	100.0
Square D Company Mexico, SA de CV	Mexico	100.0	100.0
Telvent Mexico SA de CV	Mexico	99.3	99.3
Adaptive Instruments Corp.	United States	100.0	100.0
American Power Conversion Holdings Inc.	United States	100.0	100.0

## 5. Notes to the consolidated financial statements

		% Interest Dec. 31, 2018	% Interest Dec. 31, 2017
Applied Instrument Technologies, Inc.	United States	100.0	100.0
Asco Power GP, LLC	United States	100.0	100.0
Asco Power Services, Inc.	United States	100.0	100.0
Asco Power Technologies, L.P.	United States	100.0	100.0
Foxboro Controles S.A.	United States	100.0	100.0
Invensys LLC	United States	100.0	100.0
Lee Technologies Puerto Rico, LLC	United States	100.0	100.0
Pelco, Inc	United States	100.0	100.0
Power Measurement, Inc.	United States	100.0	100.0
Pro-face America, LLC	United States	100.0	100.0
Renewable Choice Energy Inc.	United States	100.0	100.0
Schneider Electric Buildings Americas, Inc.	United States	100.0	100.0
Schneider Electric Buildings Critical Systems, Inc.	United States	100.0	100.0
Schneider Electric Buildings, LLC	United States	100.0	100.0
Schneider Electric Engineering Services, LLC	United States	100.0	100.0
Schneider Electric Grid Automation Inc.	United States	100.0	100.0
Schneider Electric Holdings, Inc.	United States	100.0	100.0
Schneider Electric IT America Corp.	United States	100.0	100.0
Schneider Electric IT Corporation	United States	100.0	100.0
Schneider Electric IT Mission Critical Services, Inc.	United States	100.0	100.0
Schneider Electric IT USA, Inc.	United States	100.0	100.0
Schneider Electric IT (Xiamen) Co., Ltd.	United States	100.0	100.0
Schneider Electric Motion USA, Inc.	United States	100.0	100.0
Schneider Electric Solar Inverters USA, Inc.	United States	100.0	100.0
Schneider Electric Systems USA, Inc.	United States	100.0	100.0
Schneider Electric USA, Inc.	United States	100.0	100.0
Schneider Electric Vermont Ltd	United States	100.0	100.0
Siebe Inc.	United States	100.0	100.0
SNA Holdings Inc.	United States	100.0	100.0
Square D Investment Company	United States	100.0	100.0
Stewart Warner Corporation	United States	100.0	100.0
Summit Energy Services, Inc.	United States	100.0	100.0
Veris Industries LLC	United States	100.0	100.0
<b>Asia-Pacific</b>			
<i>Fully consolidated</i>			
Clipsal Australia Pty Ltd	Australia	100.0	100.0
Clipsal Technologies Australia Pty Limited	Australia	100.0	100.0
Nu-lec Industries Pty. Ltd	Australia	100.0	100.0
Pelco Australia Pty. Limited	Australia	100.0	100.0
Scadagroup Pty Ltd	Australia	100.0	100.0
Schneider Electric (Australia) Pty Limited	Australia	100.0	100.0
Schneider Electric Australia Holdings Pty Ltd	Australia	100.0	100.0
Schneider Electric Buildings Australia Pty Ltd	Australia	100.0	100.0
Schneider Electric IT Australia Pty Ltd	Australia	100.0	100.0
Schneider Electric Solar Australia Pty Ltd	Australia	100.0	-
Schneider Electric Systems Australia Pty Ltd	Australia	100.0	100.0
Serck Controls Pty Limited	Australia	100.0	100.0
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100.0	100.0
CITIC Schneider Electric Smart Building Technology (Beijing) Co.,Ltd	China	51.0	-
Clipsal Manufacturing (Huizhou) Ltd	China	100.0	100.0
Delixi Electric Investment (shanghai) Co., LTD	China	74.5	74.5
FSL China	China	54.0	54.0
Invensys Automation & Controls Systems (Shanghai) Co., Ltd	China	100.0	100.0
Pelco (Shanghai) Trading Co. Ltd.	China	100.0	100.0
Proface China International Trading (Shanghai) Co. Ltd	China	100.0	100.0
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95.0	95.0
Schneider (Beijing) Medium Voltage Co. Ltd	China	95.0	95.0
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70.0	70.0
Schneider (Suzhou) Drives Company Ltd	China	90.0	90.0
Schneider (Suzhou) Enclosure Systems Co Ltd	China	100.0	100.0
Schneider (Suzhou) Transformers Co. Ltd	China	100.0	100.0
Schneider Automation Solutions (Shanghai) Co., Ltd.	China	100.0	100.0
Schneider Busway (Guangzhou) Ltd	China	95.0	95.0
Schneider Electric (China) Co. Ltd	China	100.0	100.0

		<b>% Interest Dec. 31, 2018</b>	% Interest Dec. 31, 2017
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100.0	100.0
Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd.	China	100.0	100.0
Schneider Electric Equipment an Engineering (X'ian) Co., Ltd	China	100.0	100.0
Schneider Electric IT (China) Co., Ltd	China	100.0	100.0
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75.0	75.0
Schneider Electric Manufacturing (Chongqing) Co. Ltd	China	100.0	100.0
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100.0	100.0
Schneider Great Wall Engineering (Beijing) Co. Ltd	China	100.0	100.0
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100.0	100.0
Schneider Shanghai Industrial Control Co. Ltd	China	80.0	80.0
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75.0	75.0
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80.0	80.0
Schneider Switchgear (Suzhou) Co, Ltd	China	58.0	58.0
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100.0	100.0
Shanghai Foxboro Co., Ltd	China	100.0	100.0
Shanghai Invensys Process System Co., Ltd	China	100.0	100.0
Shanghai Schneider Electric Power Automation Co. Ltd	China	100.0	100.0
Shanghai Tayee Electric Co., LTD	China	74.5	74.5
Telvent – BBS High & New Tech (Beijing) Co. Ltd	China	80.0	80.0
Tianjin Merlin Gerin Co. Ltd	China	75.0	75.0
Wuxi Proface Co., Ltd	China	100.0	100.0
Clipsal Asia Holdings Limited	Hong Kong	100.0	100.0
Clipsal Asia Limited	Hong Kong	100.0	100.0
Fed-Supremetech Limited	Hong Kong	54.0	54.0
Schneider Electric (Hong Kong) Limited	Hong Kong	100.0	100.0
Schneider Electric Asia Pacific Limited	Hong Kong	100.0	100.0
Schneider Electric IT Hong Kong Limited	Hong Kong	100.0	100.0
Eurotherm India Private Ltd	India	100.0	100.0
Luminous Power Technologies Private Ltd	India	100.0	100.0
Schneider Electric India Private Ltd	India	100.0	100.0
Schneider Electric Infrastructure Limited	India	94.6	94.6
Schneider Electric IT Business India Private Ltd	India	100.0	100.0
Schneider Electric President Systems Ltd	India	79.5	79.5
Schneider Electric Private Limited	India	100.0	–
Schneider Electric Solar India Private Limited	India	100.0	–
Schneider Electric Systems India Private Limited	India	100.0	100.0
PT Clipsal Manufacturing Jakarta	Indonesia	100.0	100.0
PT Schneider Electric Indonesia	Indonesia	100.0	100.0
PT Schneider Electric IT Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Manufacturing Batam	Indonesia	100.0	100.0
PT Schneider Electric Systems Indonesia	Indonesia	95.0	95.0
Schneider Electric Japan, Inc.	Japan	100.0	100.0
Schneider Electric Solar Japan Inc.	Japan	100.0	–
Schneider Electric Systems Japan Inc.	Japan	100.0	100.0
Toshiba Schneider Inverter Corp.	Japan	100.0	100.0
Eurotherm Korea Co., Ltd.	Korea	100.0	100.0
Schneider Electric Korea Ltd.	Korea	100.0	100.0
Schneider Electric Systems Korea Limited	Korea	100.0	100.0
Clipsal Manufacturing (M) Sdn. Bhd.	Malaysia	100.0	100.0
Gutor Electronic Asia Pacific Sdn. Bhd.	Malaysia	100.0	100.0
Huge Eastern Sdn. Bhd.	Malaysia	100.0	100.0
KSLA Energy & Power Solutions (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (Malaysia) Sdn. Bhd.	Malaysia	30.0	30.0
Schneider Electric Industries (M) Sdn. Bhd.	Malaysia	100.0	100.0
Schneider Electric IT Malaysia Sdn. Bhd.	Malaysia	100.0	100.0
Schneider Electric Systems (Malaysia) Sdn. Bhd.	Malaysia	100.0	100.0
Schneider Electric (NZ) Limited	New Zealand	100.0	100.0
Schneider Electric Systems New Zealand Limited	New Zealand	100.0	100.0
American Power Conversion Land Holdings Inc.	Philippines	100.0	100.0
Clipsal Philippines	Philippines	100.0	100.0
Pelco Asia Pacific Pte. Ltd	Philippines	100.0	100.0
Schneider Electric (Philippines) Inc.	Philippines	100.0	100.0
Schneider Electric IT Philippines Inc.	Philippines	100.0	100.0
Schneider Electric Asia Pte. Ltd.	Singapore	100.0	100.0

## 5. Notes to the consolidated financial statements

		% Interest Dec. 31, 2018	% Interest Dec. 31, 2017
Schneider Electric Export Services Pte Ltd	Singapore	100.0	100.0
Schneider Electric IT Logistics Asia Pacific Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric IT Singapore Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric Overseas Asia Pte Ltd	Singapore	100.0	100.0
Schneider Electric Singapore Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric South East Asia (HQ) Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric Systems Singapore Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric Lanka (Private) Limited	Sri Lanka	100.0	100.0
Schneider Electric Systems Taiwan Corp.	Taiwan	100.0	100.0
Schneider Electric Taiwan Co., Ltd.	Taiwan	100.0	100.0
Pro-Face South-East Asia Pacific Co., Ltd.	Thailand	100.0	100.0
Schneider (Thailand) Limited	Thailand	100.0	100.0
Schneider Electric CPCS (Thailand) Co., Ltd.	Thailand	100.0	100.0
Schneider Electric Systems (Thailand) Co. Ltd.	Thailand	100.0	100.0
Clipsal Vietnam Co. Ltd	Vietnam	100.0	100.0
Invensys Vietnam Ltd	Vietnam	100.0	100.0
Schneider Electric IT Vietnam Ltd	Vietnam	100.0	100.0
Schneider Electric Manufacturing Vietnam Co., Ltd	Vietnam	100.0	100.0
Schneider Electric Vietnam Co. Ltd	Vietnam	100.0	100.0
<i>Accounted for by equity method</i>			
Delixi Electric LTD (sub-group)	China	50.0	50.0
Ennovation System Control Co., LTD	China	40.0	40.0
Sunten Electric Equipment Co., Ltd	China	25.0	25.0
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	36.8	36.8
Foxboro (Malaysia) Sdn Bhd	Malaysia	49.0	49.0
<b>Rest of the world</b>			
<i>Fully consolidated</i>			
Himel Algeria	Algeria	100.0	100.0
Invensys Systems Algérie EURL	Algeria	100.0	100.0
Schneider Electric Algeria	Algeria	100.0	100.0
Schneider Electric Argentina S.A.	Argentina	100.0	100.0
Schneider Electric Systems Argentina S.A.	Argentina	100.0	100.0
American Power Conversion Brasil Ltda	Brazil	100.0	100.0
CP Eletronica Ltda	Brazil	100.0	100.0
Eurotherm LTDA	Brazil	100.0	100.0
Schneider Electric Brasil Automação de Processos Ltda	Brazil	100.0	100.0
Schneider Electric Brasil Ltda	Brazil	100.0	100.0
Schneider Electric IT Brasil Industria e Comercio de Equipamentos Eletronicos Ltda	Brazil	100.0	100.0
Steck da Amazonia Industria Electrica Ltda	Brazil	100.0	100.0
Steck Industria Electrica Ltda	Brazil	100.0	100.0
Telseb Serviços de Engenharia e Comércio de Equipamentos Eletrônicos e Telecomunicações Ltda	Brazil	100.0	100.0
Inversiones Schneider Electric Uno Limitada	Chile	100.0	100.0
Marisio SA	Chile	100.0	100.0
Schneider Electric Chile S.A.	Chile	100.0	100.0
Schneider Electric Systems Chile Limitada	Chile	100.0	100.0
Dexson Electric S.A.S.	Colombia	100.0	100.0
Schneider Electric de Colombia S.A.	Colombia	100.0	100.0
Schneider Electric Systems Colombia Ltda	Colombia	100.0	100.0
Schneider Electric Centroamerica Ltda	Costa Rica	100.0	100.0
Invensys Engineering & Service S.A.E.	Egypt	51.0	51.0
Invensys Process Systems Egypt Co., Ltd	Egypt	60.0	60.0
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SAE	Egypt	91.9	91.0
Invensys Middle East FZE	Emirates	100.0	100.0
Schneider Electric DC MEA FZCO	Emirates	100.0	100.0
Schneider Electric FZE	Emirates	100.0	100.0
C-Schneider Electric Kenya	Kenya	85.0	85.0
Schneider Electric Services Kuwait	Kuwait	49.0	49.0
Schneider Electric East Mediterranean SAL	Lebanon	96.0	96.0
Delixi Electric Maroc SARL AU	Morocco	100.0	100.0
Schneider Electric Maroc	Morocco	100.0	100.0
Invensys Systems Nigeria Ltd	Nigeria	100.0	100.0
Schneider Electric Nigeria Ltd	Nigeria	100.0	100.0



		<b>% Interest Dec. 31, 2018</b>	% Interest Dec. 31, 2017
Schneider Electric Oman LLC	Oman	100.0	100.0
Schneider Electric Pakistan (Private) Limited	Pakistan	80.0	80.0
Schneider Electric Peru S.A.	Peru	100.0	100.0
Schneider Electric Systems del Peru S.A.	Peru	100.0	100.0
AMPS	Saudi Arabia	100.0	100.0
EPS Electrical Power Distribution Boards & Switchgear Ltd	Saudi Arabia	100.0	100.0
Invensys Saudi Arabia Co., Ltd	Saudi Arabia	100.0	100.0
Schneider Electric South Africa (Pty) Ltd	South Africa	74.9	74.9
Uniflair South Africa (Pty) Ltd	South Africa	100.0	100.0
Gunsan Elektrik	Turkey	100.0	100.0
Himel Elektrik Malzemeleri Ticaret A.S	Turkey	100.0	100.0
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S	Turkey	100.0	100.0
Schneider Electric Uganda Ltd	Uganda	100.0	100.0
Schneider Electric Systems de Venezuela, C.A.	Venezuela	100.0	100.0
Schneider Electric Venezuela, S.A.	Venezuela	93.6	93.6

## Statutory Auditors' report on the consolidated financial statements

# 6. Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2018

To the Annual General Meeting of Schneider Electric S.E.,

### Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Schneider Electric S.E. for the year ended December 31, 2018.

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, 2018 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.

The audit opinion expressed above is consistent with our report to the audit and risks committee.

### Basis for Opinion

#### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

#### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

#### Emphasis of Matter

We draw your attention to the matter described in the paragraph "First Application of IFRS 15 – Revenue from contracts with customers" in the Note 1 "Accounting Policies" to the Consolidated financial statements.

#### Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

#### Measurement of goodwill and trademarks with an indefinite useful life

##### Notes 14, 1.9, 1.11, 5, 9 and 10 to the consolidated financial statements

#### Key audit matter

As at December 31, 2018, the carrying amount of goodwill and trademarks with an indefinite useful life is M€ 18.373 and M€ 2.256 respectively, totaling 49 % of the group consolidated assets.

As described in Note 1.11 to the consolidated financial statements, the Cash Generating Units (CGUs), which the goodwill and the trademarks with an indefinite useful are allocated to, are tested for impairment at least once a year and whenever there is an indication of impairment risk.

The Group's CGUs are Low Voltage, Medium Voltage, Industrial Automation, and Secure Power, and correspond to the smallest identifiable groups of assets generating cash inflows that are largely independent from the cash inflows from other assets or groups of assets.

The recoverable value of a CGU is defined as the highest value between its value in use and its realizable value net of costs. The value in use of a CGU is determined by discounting future cash flows that will be generated by its underlying assets and which are based on the Group's management's economic assumptions and operating forecasts.

An impairment loss is recognized when the recoverable value of a CGU is lower than its book value, for the excess amount of the book value over the recoverable value. When the tested CGU comprises goodwill, any impairment loss is primarily deducted there from.

We considered the measurement of goodwill and trademarks with an indefinite useful life to be a key audit matter as these assets account for a large part of the group's consolidated balance sheet and because of the level of management's judgment required to:

- define the CGUs, as an improper mapping could lead your Group to not recognize or under-estimate an impairment of goodwill;
- determine the assumptions used for the impairment tests of goodwill and trademarks, particularly the discount rates, perpetuity growth rates and the expected margin rates or royalty rates.

#### Our response

As regards goodwill, our audit work consisted in:

- assessing the Group's definition of the CGUs in light of the applicable accounting standards;
- assess the procedures implemented by the Group to evaluate the future discounted cash flows underlying the determination of the value in use of each CGU;
- reconciling the carrying amount of assets tested with the accounting data;
- assessing the business forecasts underlying the future cash flows by comparing past estimates to actual results;
- with the assistance of our valuation experts, assessing the assumptions used such as discount rates, perpetuity growth rates and expected margin rates, as well as the sensitivity of tests results to a variation of these assumptions;
- reconciling the sensitivity analyses performed by the Group with our sensitivity calculations;
- verifying the arithmetical accuracy of the computations underlying the impairment tests.

As regards significant trademarks with an indefinite useful life, our work consisted in:

- assessing the method used to evaluate their recoverable amount and the assumptions used, including the discount rate, the perpetuity growth rate and the royalty rate, as well as the sensitivity of the results of these tests to changes in these assumptions, and to verify the arithmetical accuracy of the impairment tests.

#### Capitalization and measurement of development costs

##### Notes 1.4, 1.9, 1.11, 4 and 10 to the consolidated financial statements

#### Key audit matter

As at December 31, 2018, the Group's consolidated balance sheet includes capitalized development costs recognized as intangible assets for M€ 1.211.

As described in notes 1.9 and 1.11 to the consolidated financial statements, the costs the Group incurs as part of its new projects are capitalized when certain criteria are strictly met and, in particular, when it is probable that future economic benefits attributable to the project will flow to the group.

Development-related assets are amortized from the commercial launch and over the lifespan of the underlying technology.

Development-related assets which are not amortized yet are tested for impairment at least on an annual basis and whenever there is an indication of impairment risk. As for development-related assets, which are in the amortization period, they are tested for impairment at year-end in case an impairment risk has been identified. The Group recognizes an impairment loss when the recoverable amount of a development-related asset is lower than the corresponding capitalized costs.

The capitalization and the measurement of development costs are considered to be a key audit matter due to their materiality when compared to the consolidated assets of the Group, and to the management's judgment exercised when initially determining whether such development costs should be accounted for as intangible assets and when subsequently carrying out impairment tests.

#### Our response

We analyzed the processes the Group implemented for the initial recognition in intangible assets of development costs, for the identification of projects to be potentially impaired and for the determination of estimates used for the purpose of testing the development-related assets for impairment. Based on a selection of projects, our work consisted in:

- ensuring the criteria for recognizing an intangible asset, as set out in IAS 38 and in the Group's internal procedure, were met and consistently applied;
- reconciling, on a sample basis, the costs capitalized as at December 31, 2018 with the underlying supporting documentation;
- assessing, with the assistance of our valuation experts, the data and assumptions used by the Group when testing development-related assets for impairment, mainly sales forecasts, discount rates and long-term growth rates, by inquiring of management and by comparing future cash flows to past performance;
- comparing the sensitivity analyses performed by the Group to our sensitivity calculations;
- verifying the arithmetical accuracy of management's computations.

#### Recognition and recoverability of deferred tax assets related to tax losses carried forward

##### Notes 1.4, 1.16 and 14 to the consolidated financial statements

#### Key audit matter

As at December 31, 2018, the deferred tax assets recognized in the Group's balance sheet, with regards to tax losses carried forward, amount to M€ 721.

As described in note 1.16 to the consolidated financial statements, the Group recognizes future tax benefits, arising from the utilization of tax losses carried forward, to the extent they can reasonably be expected to be achieved, including when such amounts can be indefinitely carried forward.

Management assesses at year-end the recoverability by the Group of its deferred tax assets on tax losses carried forward based on its consumption plan. The appropriate estimation of deferred tax assets relies on the Group's ability to accurately forecast its future taxable incomes.

## Statutory Auditors' report on the consolidated financial statements

We considered the initial recognition and the subsequent recoverability of deferred tax assets on tax losses carried forward to be a key audit matter due to the judgment exercised by management.

### Our response

In considering the Group's capacity to benefit from its deferred tax assets on tax losses carried forward by offsetting them with future taxable incomes, our audit approach consisted, with the assistance of our tax lawyers when necessary, in:

- inquiring about the consumption plans of tax losses carried forward for the subsidiaries or tax consolidation groups at stake;
- assessing the data and assumptions underlying the consumption plans of tax losses carried forward supporting the recognition and the measurement of deferred tax assets by the Group.

### Risk assessment and measurement of provisions and contingent liabilities

#### Notes 1.4, 1.21, 21 and 26.2 to the consolidated financial statements

#### Key audit matter

The Group operates in many countries and is thus exposed to different environments in terms of law, regulation and tax. The Group is also subject to the inherent risks of its operations, especially with regard to commercial and industrial aspects.

In this context, the Group may face uncertain, litigious or contentious situations, particularly when analyzing uncertain tax positions.

As described in note 1.21 to the consolidated financial statements, the Group recognizes a provision when it has an obligation towards a third party prior to the balance sheet date, and when the loss or liability is likely and can be reliably measured. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability.

Each subsidiary and relevant departments of the group assess the identified risks on a regular basis, with the assistance of external counsels when necessary.

We considered provisions, which amount to M€ 2.131 as at December 31, 2018, to be a key audit matter given the various risks the Group is exposed to and to the judgment required from management to estimate the risks and the provisions amounts, if any. In case of an incomplete identification of the risks and/or an incorrect evaluation of its exposure, the Group could under- or overestimate its provisions and contingent liabilities.

### Our response

Our audit approach consisted mainly in:

- assessing the procedures implemented by the Group to identify and gather the different types of risks it is exposed to;
- obtaining an understanding of the risk analyses performed by the Group, with the relating supporting documentation, and studying written statements from internal and external legal advisors, where applicable;
- assessing, for the main risks identified, the assumptions used by management to measure the provisions accounted for, with the assistance of our experts, if necessary;
- reading the information provided by the group regarding its contingent liabilities.

### Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We certify that the consolidated statement of non-financial performance provided for in Article L. 225- 102-1 of the French Commercial Code (*Code de commerce*) is included in the information pertaining to the Group presented in the management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this code, the information contained in this statement has not been verified by us as to its accuracy or consistency with the consolidated financial statements and must be the subject of a report by an independent third-party body.

### Report on Other Legal and Regulatory Requirements

#### Appointment of the Statutory Auditors

We were appointed as statutory auditors of Schneider Electric S.E. by the annual general meetings held on May 6, 2004 for MAZARS and on June 25, 1992 for ERNST & YOUNG et Autres.

As at December 31, 2018, MAZARS was in the fifteenth year of its engagement without interruption and ERNST & YOUNG et Autres in the twenty-seventh year.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The audit and risks committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

## Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

### Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of this audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

### Report to the audit and risks committee

We submit a report to the audit and risks committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit and risks committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the audit and risks committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the audit and risks committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 8, 2019

The Statutory Auditors  
French original signed by

**MAZARS**  
Loïc Wallaert

**ERNST & YOUNG et Autres**  
Jean-Yves Jégourel  
Alexandre Resten

# Parent company financial statements

# 6

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## Balance sheet

# 1. Balance sheet

## Assets

(in thousands of euros)	Notes	Gross	A. & D. or Prov.	Dec. 31, 2018 Net	Dec. 31, 2017 Net
<b>NON-CURRENT ASSETS</b>					
<i>Intangible assets</i>					
Intangible rights	1.1	27,474	(27,474)	–	–
<i>Property, plant and equipment</i>					
Land	1.2	2,932	–	2,932	2,932
Buildings		48	(48)	–	–
Other		1,468	(242)	1,226	1,226
<b>Total intangible assets and property, plant and equipment</b>		<b>31,922</b>	<b>(27,764)</b>	<b>4,158</b>	<b>4,158</b>
<i>Financial investments</i>					
Shares in subsidiaries and affiliates	2.1	5,599,974	(114,270)	5,485,704	5,485,704
Other investment securities	2.2	1,727,194	(77)	1,727,117	2,043,475
Advances to subsidiaries and affiliates	2.3	3,210,570	–	3,210,570	3,178,935
Other		–	–	–	–
<b>Total financial investments</b>		<b>10,537,738</b>	<b>(114,347)</b>	<b>10,423,391</b>	<b>10,708,114</b>
<b>Total non-current assets</b>		<b>10,569,660</b>	<b>(142,111)</b>	<b>10,427,549</b>	<b>10,712,272</b>
<b>CURRENT ASSETS</b>					
<i>Accounts receivable</i>					
Accounts receivable – trade		202	–	202	201
Other	3	106,019	–	106,019	110,942
<b>Total accounts receivable</b>		<b>106,221</b>	<b>–</b>	<b>106,221</b>	<b>111,143</b>
<i>Marketable securities and cash</i>					
Marketable securities	4	40,657	(17,717)	22,940	101,689
Advances to the Group cash pool	5	6,899,820	–	6,899,820	3,967,832
Other		217	–	217	118
<b>Total marketable securities and cash</b>		<b>6,940,694</b>	<b>(17,717)</b>	<b>6,922,977</b>	<b>4,069,639</b>
<b>Total current assets</b>		<b>7,046,915</b>	<b>(17,717)</b>	<b>7,029,198</b>	<b>4,180,782</b>
<b>PREPAYMENTS AND OTHER ASSETS</b>					
Prepaid expenses	6.1	387	–	387	1,113
Deferred charges	6.2	14,435	–	14,435	15,141
Call premiums	6.3	26,201	–	26,201	23,916
Translation losses		77,214	–	77,214	45,581
<b>TOTAL ASSETS</b>		<b>17,734,812</b>	<b>(159,828)</b>	<b>17,574,984</b>	<b>14,978,805</b>

The notes form an integral part of these parent company financial statements.



## Equity and liabilities

(in thousands of euros)	Notes	Dec. 31, 2018	Dec. 31, 2017
<b>EQUITY</b>	7		
Share capital	7.1	2,316,675	2,387,665
Additional paid-in capital	7.2	2,976,940	5,147,245
<i>Reserves</i>			
Legal reserve		243,027	243,027
Retained earnings	7.3	84,171	(5,951)
Net income for the financial year		4,457,994	121,488
Untaxed provisions		2	2
<b>Total equity</b>		<b>10,078,809</b>	<b>7,893,475</b>
<b>PROVISIONS FOR CONTINGENCIES</b>	8		
Provisions for contingencies		1,432	916
<b>Total provisions for contingencies and expenses</b>		<b>1,432</b>	<b>916</b>
<b>LIABILITIES:</b>			
Bonds	9	6,598,934	6,567,300
Other borrowings	10	51,384	58,842
Amounts payable to subsidiaries and affiliates		14	14
Borrowings and financial liabilities	11	610,000	330,000
Accounts payable – trade		543	635
Accrued taxes and payroll costs		151,819	77,707
Other		4,682	4,128
<b>Total liabilities</b>		<b>7,417,375</b>	<b>7,038,626</b>
Deferred income		154	207
Translation gains		77,214	45,581
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,574,984</b>	<b>14,978,805</b>

The notes form an integral part of these parent company financial statements.

## Statement of income

## 2. Statement of income

(in thousands of euros)	Notes	Full year 2018	Full year 2017
Sales of services and other		174	170
Reversals of provisions, depreciation and amortization and expense transfers		0	226
<b>Operating revenues</b>		<b>174</b>	<b>396</b>
Purchases and external expenses		(8,887)	(8,071)
Taxes other than on income		(1,640)	(1,532)
Payroll expenses		(3,554)	(2,466)
Depreciation and provision expense		–	–
Other operating expenses and joint-venture losses		(1,597)	(2,000)
<b>Operating expenses</b>		<b>(15,678)</b>	<b>(14,068)</b>
<b>Operating profit/(loss)</b>		<b>(15,504)</b>	<b>(13,672)</b>
Dividend income	14	4,500,507	99,792
Interest income		50,725	47,239
Reversals of impairment provisions for long-term receivables and other		–	–
<b>Financial income</b>		<b>4,551,232</b>	<b>147,031</b>
Interest expense		(126,008)	(153,728)
Provision expense		(8,691)	(12,898)
<b>Financial expenses</b>		<b>(134,699)</b>	<b>(166,626)</b>
<b>Net financial income/(loss)</b>	14	<b>4,416,533</b>	<b>(19,595)</b>
<b>Current result before tax</b>		<b>4,401,029</b>	<b>(33,267)</b>
Proceeds from fixed asset disposals		121	6
Provision reversals and expense transfers		67	15,642
Other		–	–
<b>Non-recurring income</b>		<b>188</b>	<b>15,648</b>
Carrying amount of fixed asset disposals		(311)	(1,798)
Provisions, depreciation and amortization		(9,902)	(7,815)
Other		(226)	(528)
<b>Non-recurring expenses</b>		<b>(10,439)</b>	<b>(10,141)</b>
<b>Net non-recurring income/(loss)</b>	15	<b>(10,252)</b>	<b>5,508</b>
<b>Net income tax benefit</b>	16	<b>67,216</b>	<b>149,245</b>
<b>NET INCOME</b>		<b>4,457,994</b>	<b>121,488</b>

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 stated otherwise

## 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 10, 2018 as part of the worldwide Employee Stock Purchase Plan, for EUR154 million;
- the exercise of performance shares, for EUR10 million.

The Group reimbursed a bond amounting EUR750 million. The company issued a bond for EUR750 million.

On May 5, 2018, the 2017 dividend was paid for EUR1,233 million.

Since April 2018, the company proceeded to buy back 10,683,700 of its own shares for EUR713 million.

## 3.2: Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2018 have been prepared in accordance with French generally accepted accounting principles and with the ANC no. 2016-07 code.

### Non-current assets

Non-current assets of all types are stated at cost.

### Intangible assets

Intangible rights are amortized over a maximum of 5 years.

### Property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, ranging from 3 to 10 years.

### Shares in subsidiaries and affiliates

Shares in subsidiaries and affiliates are stated at acquisition cost.

Provisions for impairment may be funded where the carrying amount is higher than the estimated value in use at the end of the financial year. This estimate is primarily determined on the basis of the underlying net assets, earnings outlook and economic forecasts. For the more recently-acquired investments, the analysis also takes account of the acquired business goodwill. For listed securities, the average stock price over the month before the closing is used. Unrealized gains resulting from such estimates are not recognized.

### Own shares

Treasury stocks are assessed by category (shares in subsidiaries and affiliates, marketable securities), according to the FIFO method "first-in, first-out".

The accounting classification of treasury stocks depends on the purpose for which they are held:

- own shares are classified in marketable securities if they are the object of an explicit allocation in the cover of stock option plans or if they are bought to regulate the share price of the Group;
- own shares are classified in long-term investments if they are not the object of an explicit allocation to cover an option plan or if they are bought with the aim of their use within the context of a liquidity contract by an investment services provider, or of their later cancellation within the framework of a capital reduction.

The accounting of an impairment of own shares depends on the purpose for which they are held:

- when own shares are allocated to cover of stock option plans, there is no reason to record a provision for impairment;
- in other cases, it is necessary to book an impairment if the average stock market price of the month before the closing is lower than the weighted average cost.

## Notes to the financial statements

### 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, 2017	Additions	Disposals	Dec. 31, 2018
Cost	4,448	–	–	4,448
Depreciation	(290)	–	–	(290)
<b>NET</b>	<b>4,158</b>	<b>–</b>	<b>–</b>	<b>4,158</b>

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, 2017	Additions	Disposals	Dec. 31, 2018
Cost	5,599,974	–	–	5,599,974
Provisions	(114,270)	–	–	(114,270)
<b>NET</b>	<b>5,485,704</b>	<b>–</b>	<b>–</b>	<b>5,485,704</b>

During the year, there was no movement in equity shares.

The main investments at December 31, 2018 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
<b>NET</b>	<b>5,485,704</b>

#### 2.2 – Other investment securities

(in thousands of euros)

Other investment securities	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
Schneider Electric SE shares	2,043,422	897,326	(1,213,685)	1,727,063
Other	131	–	–	131
Provisions for other Shares and own shares	(77)	–	–	(77)
<b>NET</b>	<b>2,043,476</b>	<b>897,326</b>	<b>(1,213,685)</b>	<b>1,727,117</b>

Other investment securities primarily include Schneider Electric SE shares acquired for allocation on the exercise of certain stock options.

Since April 2018, in compliance with the resolution adopted by the Shareholders' Meeting dated April 24, 2018, the company proceeded to the share buyback of 10,683,700 own shares for a total amount of EUR713 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, 2017	Increases	Decreases	Dec. 31, 2018
Cost	3,178,935	77,225	(45,590)	3,210,570
<b>NET</b>	<b>3,178,935</b>	<b>77,225</b>	<b>(45,590)</b>	<b>3,210,570</b>

At December 31, 2018, this item mainly consisted of a loan of EUR2,500 million granted to Schneider Electric Industries SAS with a maturity date of 2019, a loan granted in 2012 to Boissière Finance for a total amount of EUR699 million with a maturity date of 2022 and of accrued interest for a total amount of EUR12 million.

### Note 3: Other receivables

(in thousands of euros)

Other receivables	Dec. 31, 2018	Dec. 31, 2017
Cost	106,079	110,942
Provisions	–	–
<b>NET</b>	<b>106,079</b>	<b>110,942</b>

At December 31, 2018, the main changes in "Other receivables" relate to the collection in 2018 of the tax receivables linked to the reimbursement of the 3% tax on dividends paid during previous years.

### Note 4: Marketable securities

(in thousands of euros)	Dec. 31, 2017		Acquisitions	Disposals	Dec. 31, 2018	
	Number of shares	Value	Value	Value	Value	Number of shares
<b>TREASURY SHARES</b>						
Gross	3,456,843	109,504	–	(68,847)	40,657	1,417,918
Provisions	–	(7,815)	–	(9,902)	(17,717)	–
<b>TOTAL NET</b>	<b>–</b>	<b>101,689</b>	<b>–</b>	<b>(78,749)</b>	<b>22,940</b>	<b>–</b>

Marketable securities primarily represent own shares held by the company for allocation to future performance shares plans and, if appropriate, stock-options.

In 2017, following the decision of the board to assign own shares to the performance shares plan 25, a provision of EUR8 million has been recognized. In 2018, a complement of EUR10 million of this provision has been recognized. This plan will vest on March 2019.

### Note 5: Cash and cash equivalent group

This item consists of interest-bearing advances by Schneider Electric SE to the Group cash pool (Boissière Finance) that are immediately recoverable on demand.

## Notes to the financial statements

### Note 6: Prepayment and other assets

#### 6.1 – Prepaid expenses

The prepaid expenses relates mainly on insurance costs and fees.

#### 6.2 – Bond issue expenses

(in thousands of euros)

Bond issue expenses	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
July 20, 2010 due 2020 (EUR500 million)	444	–	(169)	275
July 12, 2011 due 2018 (EUR750 million)	205	–	(205)	–
Sep. 22, 2011 due 2019 (EUR500 million)	243	–	(229)	14
Sep. 27, 2012 due 2022 (USD800 million)	1,809	–	(400)	1,409
Sep. 6, 2013 due 2021 (EUR600 million)	1,220	–	(320)	900
Mar. 11, 2015 due 2025 (EUR750 million)	2,286	–	(307)	1,979
Sep. 8, 2015 due 2023 (EUR800 million)	2,296	–	(389)	1,907
Oct. 13, 2015 due 2025 (EUR200 million)	741	–	(90)	651
Oct. 13, 2015 due 2025 (EUR100 million)	301	–	(36)	264
Sep. 9, 2016 due 2024 (EUR800 million)	2,977	–	(439)	2,538
Dec. 13, 2017 due 2026 (EUR750 million)	2,619	–	(275)	2,344
June. 21, 2018 due 2027 (EUR750 million)	–	2,287	(134)	2,153
<b>TOTAL</b>	<b>15,141</b>	<b>2,287</b>	<b>(2,993)</b>	<b>14,435</b>

#### 6.3 – Redemption premiums

(in thousands of euros)

Redemption premiums	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
July 20, 2010 due 2020 (EUR500 million)	1,324	–	(504)	820
July 12, 2011 due 2018 (EUR750 million)	367	–	(367)	–
Sep. 22, 2011 due 2019 (EUR500 million)	559	–	(527)	32
Sep. 27, 2012 due 2022 (USD800 million)	782	–	(183)	599
Sep. 6, 2013 due 2021 (EUR600 million)	732	–	(192)	540
Mar. 11, 2015 due 2025 (EUR750 million)	6,433	–	(866)	5,567
Sep. 8, 2015 due 2022 (EUR800 million)	3,201	–	(542)	2,659
Oct. 13, 2015 due 2025 (EUR100 million)	(1,412)	171	–	(1,241)
Sep. 9, 2016 due 2024 (EUR800 million)	6,758	–	(997)	5,761
Dec. 13, 2017 due 2026 (EUR750 million)	5,172	–	(557)	4,615
June 21, 2018 due 2027 (EUR750 million)	–	7,275	(427)	6,848
<b>TOTAL</b>	<b>23,916</b>	<b>7,446</b>	<b>(5,161)</b>	<b>26,201</b>

## 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
<b>December 31, 2016 before allocation of net income for the year</b>	<b>2,370</b>	<b>6,231</b>	<b>243</b>	<b>(100)</b>	<b>–</b>	<b>8,745</b>
Change in share capital	18	149	(6)	–	–	160
Allocation of 2016 net income	–	(100)	–	100	–	–
2016 dividend	–	(1,133)	–	–	–	(1,133)
2017 net income	–	–	–	121	–	121
<b>December 31, 2017 before allocation of net income for the year</b>	<b>2,388</b>	<b>5,147</b>	<b>237</b>	<b>121</b>	<b>–</b>	<b>7,893</b>
Change in share capital	(71)	153	(6)	–	–	76
Allocation of 2017 net income	–	–	121	(121)	–	–
2017 dividend	–	(1,198)	(25)	–	–	(1,223)
Cancellation of own shares	–	(1,126)	–	–	–	(1,126)
2018 net income	–	–	–	4,457	–	4,457
<b>December 31, 2018 before allocation of net income for the year</b>	<b>2,317</b>	<b>2,976</b>	<b>327</b>	<b>4,457</b>	<b>–</b>	<b>10,078</b>

### 7.1 – Capital

#### Share capital

The company's share capital at December 31, 2018 amounted to EUR2,316,675,076 consisting of 579,168,769 shares with a par value of EUR4, all fully paid up.

#### Changes in share capital

During the financial year, the EUR71 million decrease in share capital breaks down as follows:

- EUR88 million share capital decrease related to the cancellation of 22 million of own shares partially compensated by;
- EUR10 million share capital increase as part of the worldwide Employee Stock Purchase Plan with an issuance of 2,406,85 new shares;
- EUR7 million share capital increase for the exercise of performance shares with an issuance of 1,842,842 new shares.

#### Own shares

The total number of own shares held at the reporting date stood at 28,272,040, representing a net amount of EUR1,727 million.

### 7.2 – Additional paid-in capital

Additional paid-in capital decreased by EUR2,171 million over the financial year, including EUR1,126 million decrease from the cancellation of 22 million of shares, EUR1,198 million deducted from paid-in capital for the dividend payment partially compensated by EUR153 million increase from the worldwide Employee Stock Purchase Plan.

### 7.3 – Allocation of previous year net income

Pursuant to the 3rd resolution of the Ordinary and Extraordinary Shareholders' Meeting of April 24, 2018, the 2017 gain of EUR121 million was allocated to retained earnings. EUR1,223 million was deducted from additional paid-in capital and reserves and retained earnings for the payment of the dividend in 2018.

## Notes to the financial statements

### Note 8: Provisions for contingencies and pension accruals

(in thousands of euros)	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
<b>PROVISIONS FOR CONTINGENCIES</b>				
Disputes	15	–	–	15
Other	901	516	–	1,417
<b>TOTAL</b>	<b>916</b>	<b>516</b>	<b>–</b>	<b>1,432</b>

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

(in thousands of euros)	Share capital		Interest rate	Maturity
	Dec. 31, 2018	Dec. 31, 2017		
Schneider Electric SE 2018	–	750,000	3.75% Fixed Euribor +0.60%	July 12, 2018
Schneider Electric SE 2019	150,244	150,244	Floating	July 25, 2019
Schneider Electric SE 2020	500,000	500,000	3.625% Fixed	July 20, 2020
Schneider Electric SE 2019	500,000	500,000	3.50% Fixed	Jan. 22, 2019
Schneider Electric SE 2022	698 690	667,056	2.95% Fixed	Sep. 27, 2022
Schneider Electric SE 2021	600,000	600,000	2.50% Fixed	Sep. 06, 2021
Schneider Electric SE 2025	750,000	750,000	0.875% Fixed	Mar. 11, 2025
Schneider Electric SE 2023	800,000	800,000	1.50% Fixed	Sep. 08, 2023
Schneider Electric SE 2025	200,000	200,000	1.841% Fixed	Oct. 13, 2025
Schneider Electric SE 2025	100,000	100,000	1.841% Fixed	Oct. 13, 2025
Schneider Electric SE 2024	800,000	800,000	0.25% Fixed	Sep. 09, 2024
Schneider Electric SE 2026	750,000	750,000	0.875% Fixed	Dec. 13, 2026
Schneider Electric SE 2027	750,000	–	1.375% Fixed	June 21, 2027
<b>TOTAL</b>	<b>6,598,934</b>	<b>6,567,300</b>		

Fixed: fixed rate.

Floating: floating rate.

Schneider Electric SE has issued bonds during past years on different markets:

- in the United States, through a private placement offering following (SEC 144A rule) for USD800 million worth of bonds issued in September 2012, at a rate of 2.950%, due in September 2022;
- as part of its Euro Medium-Term Notes (EMTN) program, for which bonds are traded on the Luxembourg stock exchange.

During the year, the company reimbursed one bond amounting EUR750 million worth of 3.75% bonds issued in July 2011 and matured on July 12, 2018.

The company issued a bond for EUR750 million at 1.375%, maturing on June 21, 2027.

At December 31, 2018, 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;
- EUR500 million worth of 3.625% bonds issued in July 2010 and maturing on July 20, 2020;
- EUR177 million worth of floating-rate bonds issued in July 2008 and maturing on July 25, 2019, decreased to EUR150 million through the repayment in June 2014 of EUR27 million;
- EUR100 million worth of 1.841% bonds issued in October 2015 and maturing on October 13, 2025;
- EUR200 million worth of 1.841% bonds issued in October 2015 and maturing on October 13, 2025;
- EUR800 million worth of 1.50% bonds issued in September 2015 and maturing on September 8, 2023;
- EUR750 million worth of 0.875% bonds issued in March 2015 and maturing on March 11, 2025;
- EUR750 million worth of 0.875% bonds issued in December 2017 and maturing on December 13, 2026;
- EUR750 million worth of 1.375% bonds issued in June 2018 and maturing on June 21, 2027.

The issue premiums and issuance costs are amortized in line with the effective interest method.



### Note: 10 Other borrowings

Other borrowings at December 31, 2018 included accrued interest on bonds and other debt issued by the company. Accrued interest amounted to EUR51 million, compared to EUR59 million at end-2017.

### Note: 11 Interest-bearing liabilities

Interest-bearing liabilities (in thousands of euros)	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
Commercial paper	330,000	6,447,000	(6,167,000)	<b>610,000</b>
Overdrafts	–	–	–	–
Other	–	–	–	–
<b>NET</b>	<b>330,000</b>	<b>6,447,000</b>	<b>(6,167,000)</b>	<b>610,000</b>

In 2018, fixed rate commercial papers were issued and partially reimbursed over the period. The balance amounted to EUR610 million at the end of 2018.

### 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
<b>NON-CURRENT ASSETS</b>				
Advances to subsidiaries and affiliates	3,210,570	2,511,880	698,690	
<b>CURRENT ASSETS</b>				
Accounts receivable – trade	202	202	–	–
Other receivables	106,019	106,019	–	–
Marketable securities	22,940	22,940	–	–
Prepaid expenses	387	387	–	–
<b>DEBT</b>				
Bonds	6,598,934	650,244	2,598,690	3,350,000
Other borrowings	51,385	51,385	–	–
Commercial paper	610,000	610,000	–	–
Amounts payable to subsidiaries and affiliates	14	–	14	–
Accounts payable – trade	543	543	–	–
Accrued taxes and payroll costs	151,819	151,819	–	–
Other	4,682	4,682	–	–
Deferred income	154	154	–	–

Invoices received and issued during the period have not been subject to late payment.

## Notes to the financial statements

### 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	3,210,570	3,210,570
Accounts receivable	141	141
Cash and cash equivalents	6,899,820	6,899,820
Revenues:		
• rebilled performance shares		–
• interest		25,347

### Note 14: Net financial income/(loss)

(in thousands of euros)	Full year 2018	Full year 2017
Dividends	4,500,507	99,792
Net interest income (expense)	(75,283)	(106,490)
Other	(8,691)	(12,898)
<b>NET FINANCIAL INCOME/(LOSS)</b>	<b>4,416,533</b>	<b>(19,595)</b>

In 2018, the company receive EUR4,5 billion of dividends from Schneider Electric Industries SAS.

### Note 15: Net non-recurring income/(loss)

(in thousands of euros)	Full year 2018	Full year 2017
Net gains/(losses) on fixed asset disposals	(191)	(277)
Provisions net of reversals	(9,835)	6,947
Other non-recurring income/(expense)	(226)	(1162)
<b>NET NON-RECURRING INCOME/(LOSS)</b>	<b>(10,252)</b>	<b>5,508</b>

### 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 2018 income tax due, for EUR67 million, which represents a EUR82 million decrease on last year mainly due to the gain on the reimbursement of the 3% tax on dividend in 2018.

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 EUR2,256 million at December 31, 2018.

### Note 17: Pension benefit commitment

The company had taken commitments towards its executives, active managers and retirees. In 2015, the company closed the top-hat executive pension plans. Since 2015, there is no more active beneficiary. The company has outsourced to AXA France VIE the commitments towards the retirees beneficiaries the top-hat executive pension plans.

## Note 18: Off-balance sheet commitments

### 18.1 – Partnership obligations

The share of liabilities of "SC" non-trading companies attributable to Schneider Electric SE as partner is not material. The share of liabilities of "SNC" flow-through entities attributable to Schneider Electric SE as partner is not material.

### 18.2 – Guarantees given and received

#### Commitments given

Counter-guarantees of bank guarantees: None  
Other guarantees given: EUR2,019 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, 2018.

## Note 19: Contingencies

As part of its operations, the entity is exposed to a number of potential claims and litigations. Except for those for which it is probable that the entity will occur a liability and a provision established for such outcome, the entity is not aware of other potentially material claims and litigations. Specifically, the entity has not been advised to date of any claim/allegations related to the investigation conducted in France by French public agencies. The entity is fully cooperating with the French authorities on these matters.

## Note 20: Other information

### 20.1 – Workforce

The average number of employees is 1 over 2018.

### 20.2 – 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.

### 20.3 – Subsequent events

At the date of financial statements approval by the board of directors, there is no material subsequent event.

## Statutory Auditors' report on the annual financial statements

# 4. Statutory Auditors' report on the annual financial statements

Year ended December 31, 2018

To the Annual General Meeting of Schneider Electric S.E.,

### Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Schneider Electric S.E. for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the audit and risks committee.

### Basis for Opinion

#### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

#### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

#### Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

#### Valuation of investments in subsidiaries and affiliates and advances to subsidiaries and affiliates

« Accounting principles » and note 2 « Investments » of the notes to the parent company financial statements

#### Key audit matter

As at December 31, 2018, investments in subsidiaries and affiliates and the related advances amount to M€ 5,486 and M€ 3.211 respectively in the balance sheet of Schneider Electric S.E., net of any impairment.

As described in the accounting principles of the notes to the financial statements, investments are recognized at their acquisition cost and impaired, should their carrying amount exceed their estimated value in use at closing date. The estimated value in use of investments is determined primarily based on the subsidiaries' and affiliates' net assets as well as on their earnings outlook and the underlying economic forecasts.

Due to the judgment exercised by management as part of this estimate, especially when relying on forecasts, we considered the valuation of investments in subsidiaries and affiliates, as well as the valuation of related advances, to be a key audit matter.

### Our response

As part of our audit, we analyzed the procedures implemented by your Company to determine the value in use of investments in subsidiaries and affiliates. Our work consisted in:

- comparing the share in the subsidiaries' and affiliates' net assets, when used as a proxy for their value in use, with their underlying accounting data, which were subject to an audit or to analytical procedures;
- assessing the appropriateness of the valuation method used to determine the value in use when based on forecasts;
- assessing the reasonableness of key assumptions used to estimate values in use, mainly the long-term growth rate and the discount rate, by inquiring of Management and with the assistance of our experts, when needed;
- verifying the arithmetical accuracy of the computations performed by your Company;

We also assessed the recoverability of advances to subsidiaries and affiliates, based on the impairment tests results of the corresponding investments.

### Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

### Information given in the Management Report and in the Other Documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

We attest that the information relating to payment terms referred to in article D. 441-4 of the French Commercial Code (*Code de commerce*) is fairly presented and consistent with the financial statements.

### Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

### Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

### Report on Other Legal and Regulatory Requirements

#### Appointment of the Statutory Auditors

We were appointed as statutory auditors of Schneider Electric S.E. by the Annual General Meetings held on May 6, 2004 for MAZARS and on June 25, 1992 for ERNST & YOUNG et Autres.

As at December 31, 2018, MAZARS was in the fifteenth year of its engagement without interruption and ERNST & YOUNG et Autres in the twenty-seventh year.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The audit and risks committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

## Statutory Auditors' report on the annual financial statements

### Statutory Auditors' Responsibilities for the Audit of the Financial Statements

#### Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### Report to the audit and risks committee

We submit a report to the audit and risks committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit and risks committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the audit and risks committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the audit and risks committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 8, 2019

The Statutory Auditors  
French original signed by

**MAZARS**  
Loïc Wallaert

**ERNST & YOUNG et Autres**  
Jean-Yves Jégourel  
Alexandre Resten

## List of securities held at December 31, 2018

## 5. List of securities held at December 31, 2018

Number of securities (in thousands of euros)	Company	Carrying amount of securities
<b>A. MAJOR INVESTMENTS</b>		
(Carrying amounts over EUR5 million)		
58,018,657	Schneider Electric Industries SAS	5,343,544
28,272,040	Schneider Electric SE own shares	1,727,063
		<b>7,070,607</b>
<b>B. OTHER INVESTMENTS</b>		
(Carrying amounts under EUR5 million)		
		1,038
<b>C. INVESTMENTS IN REAL ESTATE COMPANIES</b>		
		–
<b>D. INVESTMENTS IN FOREIGN COMPANIES</b>		
		139,074
<b>Total</b>		<b>7,210,719</b>
<b>MARKETABLE SECURITIES</b>		
1,419,918	Schneider Electric SE own shares	22,940
<b>TOTAL</b>		<b>22,940</b>

Subsidiaries and affiliates

## 6. Subsidiaries and affiliates

Company (in thousands of euros)	Capital	Reserves and retained earnings & retained earnings prior to appropriation of earnings*	Share interest held (%)
<b>I. DETAILED INFORMATION ON SUBSIDIARIES AND AFFILIATES WITH A CARRYING AMOUNT OF OVER 1% OF THE SHARE CAPITAL OF SCHNEIDER ELECTRIC SE</b>			
<b>A. Subsidiaries (at least 50% owned)</b>			
Schneider Electric Industries SAS 35, rue Joseph Monier 92500 Rueil-Malmaison, France	928,299	4,580,729	100.00
Cofimines Place du Champs-de-Mars, 5, tour Bastion 1050 Brussels, Belgium	96,884	42,230	99.84
<b>B. Affiliates (10 to 50%-owned)</b>			
<b>II. OTHER SUBSIDIARIES AND AFFILIATES</b>			
<b>A. Subsidiaries not included in Section I: (+50%)</b>			
a) French subsidiaries (aggregate)	–	–	–
b) Foreign subsidiaries (aggregate)	–	–	–
<b>B. Affiliates not included in Section I: (0-50%)</b>			
a) French companies (aggregate)	–	–	–
b) Foreign companies (aggregate)	19,600	81,826	4.8

\* Including income or loss in prior financial year.



Gross value	Net value	Loans and advances provided by the company and still outstanding	Amount of guarantees given by the company	2018 Revenues (ex. VAT)	2018 Profit or loss (-)	Dividends received by the company during 2018
5,343,544	5,343,544	2,506,389	–	3,696,932	673,187	4,500,507
219,894	139,074	–	Holding company		(21)	–
–	–	–	–	–	–	–
15,288	1,038	–	–	–	–	–
130	53	–	–	–	–	–
21,249	2,049	–	–	–	24,931	–

The company's financial results over the last 5 years

## 7. The Company's financial results over the last 5 years

Description	2018	2017	2016	2015	2014
<b>FINANCIAL POSITION AT DECEMBER 31</b>					
Share capital ( <i>in thousands of euros</i> )	2,316,675	2,387,665	2,369,995	2,354,938	2,338,765
Number of shares in issue	579,168,769	596,916,242	592,498,759	588,734,472	584,691,142
Number of convertible bonds in issue ( <i>in thousands</i> )					
Maximum number of shares to be created ( <i>in thousands</i> ):					
• through conversion of bonds	–	–	–	–	–
• through exercise of rights	8,371	8,271	9,562	7,773	8,906
<b>RESULTS OF OPERATIONS (IN THOUSANDS OF EUROS)</b>					
Sales (ex. VAT)	174	170	228	209	182
Investment revenue, interest income and other revenue	4,551,232	147,031	52,276	54,587	104,963
Earnings before tax, depreciation, amortization and provisions	4,412,483	(22,861)	(146,799)	(139,013)	(134,722)
Income tax	1,215	55,213	(53,632)	(41,456)	(181,865)
Earnings after tax, depreciation, amortization and provisions	4,457,994	121,488	(99,730)	(52,585)	341,124
Dividends paid <sup>(1)</sup> excluding tax credit and withholdings	1,361,047 <sup>(2)</sup>	1,313,216	1,208,697	1,177,469	1,122,607
<b>RESULTS OF OPERATIONS PER SHARE (<i>in euros</i>)</b>					
Earnings before depreciation, amortization and provisions	7.62	0.05	(0.14)	(0.06)	0.61
Earnings after tax, depreciation, amortization and provisions	7.70	0.20	(0.17)	(0.09)	0.58
Net dividend per share	2.35 <sup>(2)</sup>	2.20	2.04	2	1.92
<b>EMPLOYEES</b>					
Average number of employees during the financial year	1	2	1	1	2
Total payroll for the financial year ( <i>in thousands of euros</i> )	2,544	1,670	1,507	2,684	1,039
Total of employee benefits paid over the financial year (Social security, other benefits, etc.) ( <i>in thousands of euros</i> )	–	–	–	–	–
	1,010	796	974	1,028	653

(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, 2019.



# Information on the Company and its capital

# 7

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## 1. General information on the Company

This chapter includes elements of the board of directors' governance report.

Section 2 (Annual Shareholders' Meetings and voting rights), the table of section 3.3 (pending delegations relating to share capital increase) and section 6 (lock-up period applicable to executive officers), as well as Chapter 4 constitute the board of directors' governance report prepared in accordance with Article L.225-37 of the French Commercial Code. They are indicated with a special mention.

# 1. General information on the Company

As a European Company (*Societas Europaea*) with a board of directors (since June 18, 2014), domiciled in France, Schneider Electric SE is governed by European Council Regulation (EC) No. 2157/2001 of October 8, 2001, governing the statutes of European Companies (SE Regulation). Issues not covered by the SE Regulation are governed by the provisions of the French Commercial Code (*Code de commerce*) applicable to limited-liability companies, as well as by their Articles of Association. The provisions of the French Commercial Code regarding the management and governance of public limited-liability companies are applicable to the European company.

As at December 31, 2018, the Company's share capital was EUR2,316,675,076. 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. Shareholders' rights and obligations

### 2.1: Annual Shareholders' Meetings (Article 19 of the Articles of Association)

*This section is part of the board of directors' governance report.*

Annual Shareholders' Meetings are called and run in accordance with the conditions prescribed by law.

The meetings are held at the head office or any other address provided in the call to meeting. The board may decide, when each meeting is called, to organize the public transmission of all or part of the meeting by videoconference and/or using teletransmission techniques.

All shareholders may attend meetings, in person or by proxy, after providing proof of identity and share ownership in accordance with applicable laws and regulations.

When the decision is made to call an Annual Shareholders' Meeting, the board of directors may also decide to allow shareholders to participate or vote at Annual Shareholders' Meetings using videoconferencing facilities and/or any other telecommunication medium allowed under applicable legislation.

Remote voting procedures are governed by the applicable laws and regulations. In particular, shareholders may send proxy and mail ballot forms before Annual Shareholders' Meetings either in paper form or, if approved by the board of directors and stated in the meeting announcement and/or notice, electronically.

When the decision is made to call an Annual Shareholders' Meeting, the board of directors may authorize shareholders to fill out and sign these forms electronically through a secure site set up by the Annual Shareholders' Meeting organizer using a process that complies with applicable laws and regulations (Paragraph 2 of Article 1367 of the French Civil Code) and consisting of a username and password.

Proxies or votes so submitted electronically before the Annual Shareholders' Meeting, as well as the related acknowledgments of receipt, will be considered irrevocable and binding documents. However, in the event that shares are sold before the applicable record date (midnight Paris time 2 business days before the meeting date), the Company will cancel or amend, as appropriate, any related proxy or electronic votes submitted before the Annual Shareholders' Meeting.

Meetings shall be chaired by the Chairman of the board of directors or in his absence by the Vice-Chairman, or in his absence by a member of the board of directors specially appointed for that purpose by the board of directors. In the event that no Chairman has been selected, the Annual Shareholders' Meeting elects its Chairman.

The two shareholders present who hold the largest number of votes and who accept shall act as scrutineers.

The board appoints a secretary, who is not required to be a shareholder.

As required by law, a register of attendance is kept.

Copies or extracts of the meeting's minutes are certified either by the Chairman or Vice-Chairman of the board of directors, or the Annual Shareholders' Meeting's secretary.

### 2.2: Voting rights

*This section is part of the board of directors' governance report.*

#### 1 – Double voting rights (Article 20 of the Articles of Association)

Voting rights attached to shares are proportionate to the equity in the capital they represent, assuming that they all have the same nominal value. Each capital share or dividend share confers the right to 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 Ordinary and Extraordinary Shareholders' Meeting of June 27, 1995.

## **2. Shareholders' rights and obligations**

### **2 – Ceiling on voting rights (Article 20 of the Articles of Association)**

At the Annual Shareholders' Meeting, no shareholder may exercise, either in person or through a proxy, by virtue of single voting rights conferred by the shares they hold directly and indirectly and by virtue of the proxy votes entrusted to them, more than 10% of the total number of the voting rights conferred by shares in the Company. However, if a shareholder also holds double voting rights directly or indirectly and/or as proxy, the limit set may be exceeded taking into consideration only the resulting additional voting rights, without the total voting rights thereby held exceeding 15% of the total number of the voting rights conferred by the shares in the Company.

To apply these provisions:

- the total number of voting rights allowed are calculated as of the date of the Annual Shareholders' Meeting and announced to the shareholders at the beginning of such Annual Shareholders' Meeting;
- the number of voting rights held directly and indirectly are understood to include those conferred by shares held personally by a shareholder, those conferred by shares held by a legal entity controlled by a shareholder as defined by Article L.233-3 of the French Commercial Code, and those shares that are assimilated to the shares owned, as defined by the provisions of Articles L.233-7 *et seq.* of the Code;
- shareholders' proxies returned to the Company that do not appoint a representative are subject to the above ceilings. However, these ceilings do not apply to the meeting Chairman voting on behalf of such proxies.

The above ceilings will no longer apply, without it being necessary to put the matter to the vote again by the Extraordinary Shareholders' Meeting, if any individual or legal entity, acting alone or jointly with one or other individuals or legal entities, acquires or increases its stake to at least two-thirds of the Company's capital through a public tender offer for all the Company's shares. The board of directors takes note of this nullity and undertakes the formalities necessary to amend the Articles of Association. The ceiling on voting rights was approved by the Ordinary and Extraordinary Shareholders' Meeting of June 27, 1995.

In accordance with Article L.225-96, Paragraph 1 of the French Commercial Code, any amendment to the Articles of Association must be approved by the Extraordinary Shareholders' Meeting, by a majority of at least two-thirds of the voting rights represented by shareholders in attendance or participating by proxy.

### **2.3: Allocation of income (Article 22 of the Articles of Association)**

Net income for the year less any losses brought forward from prior years is appropriated in the following order:

- 5% to the legal reserve (this appropriation is no longer required once the legal reserve represents one-tenth of the capital, provided that further appropriations are made in the case of a capital increase);
- to discretionary reserves, if appropriate, and to retained earnings;
- to the payment of the balance in the form of a dividend.

The General Meeting may decide to offer shareholders the opportunity to receive the dividend in cash or in the form of new shares.

Dividends not claimed within 5 years from the date of payment are forfeited and paid to the government, in accordance with the law.

### **2.4: Holding of shares (Article 7 Paragraph 1 of the Articles of Association)**

Shareholders may elect to hold their shares in registered or bearer form. To establish proof of ownership, the shares must be recorded in the shareholder's account in accordance with the procedures and conditions defined by current legislation and regulations.

### **2.5: Disclosure thresholds (Article 7 Paragraph 2 of the Articles of Association)**

The Articles of Association stipulate that any individual or legal entity that owns or controls (as these terms are defined in Article L.233-9 of the French Commercial Code) directly or indirectly, shares or voting rights representing at least 1% of the total number of shares or voting rights outstanding, or a multiple thereof, is required to disclose the total number of shares, voting rights and share equivalents held directly, indirectly or in concert to the Company by registered letter with return receipt requested, within 5 trading days of the disclosure threshold being crossed. In addition, effective November 1, 2009 the shareholder must notify the Company, in the disclosure letter, of the number of existing shares it is entitled to acquire by virtue of agreements or financial instruments referred to in point b) of the third Paragraph of Article L.233-7 of the French Commercial Code 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 Ordinary and Extraordinary Shareholders' Meetings of June 27, 1995, May 5, 2000 and April 23, 2009.

### **2.6: Identifiable holders of bearer shares (Article 7 Paragraph 3 of the Articles of Association)**

The Company may at any time request Euroclear to identify holders of bearer securities conferring immediate or future voting rights. This provision was adopted by the Ordinary and Extraordinary Shareholders' Meetings of June 30, 1988 and May 5, 2000.

### **2.7: Disposal of shares (Article 8 of the Articles of Association)**

Shares in the Company are freely negotiable and transferable.



### 3. Capital

# 3. Capital

## 3.1: Share capital and voting rights

The Company's share capital at December 31, 2018 amounted to EUR2,316,675,076 represented by 579,168,769 shares with a par value of EUR4, all fully paid up. 608,153,573 voting rights were attached to the 579,168,769 outstanding shares as at December 31, 2018.

## 3.2: Potential capital

At December 31, 2018, the potential capital consisted of:

- 229,922 shares under the stock option plans 31 and 33;
- 8,141,437 shares under the performance shares or stock grant plans 18 to 31 *bis*, excluding plans 23 and 25, relating to shares to be issued and to existing shares or shares to be issued whose type will be determined later;
- together, these plans represent a total of 8,371,359 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 1.44% of share capital at December 31, 2018.

## 3.3: Authorizations to issue shares

The Ordinary and Extraordinary Shareholders' Meetings of April 25, 2016 authorized the board of directors:

- 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;

In addition, the Ordinary and Extraordinary Shareholders' Meetings of April 25, 2017 authorized the board of directors:

- 1) to increase the Company's capital by capitalizing reserves, earnings or additional paid-in-capital;
- 2) to increase the share capital by a maximum nominal value of EUR800 million (200 million shares) by issuing shares or share equivalents with a ceiling of:
  - in the case of an issue with preferential subscription rights, the ceiling stands at a nominal value of EUR800 million (200 million shares),
  - in the case of an issue without preferential subscription rights, the ceiling stands at a nominal value of EUR230 million (57.5 million shares) through public offering 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 9.7% of capital, making payment for contributions in kind of shares or share equivalents of unlisted companies.

These authorizations include, in case of oversubscription, the power to increase the nominal amount of the issues within the limit set on the ceiling on the number of shares or share equivalents to be issued.

Lastly, the Ordinary and Extraordinary Shareholders' Meetings of April 24, 2018 authorized the board of directors:

- 1) to issue new shares to members of the Company Savings Plan, within a limit of 2% of the issued capital on the date of the implementation of the authorization;
- 2) 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 24, 2018 to be applied to the ceiling for the authorization given in 1 above.

At its meeting of December 12, 2018, the board of directors authorized the issue of new shares to employees, within a limit of 0.64% of the capital. These capital increases reserved for employees, whether part of the Company Savings Plan or not, will take place in June 2019; the subscription prices will be set on that date.

The Annual Shareholders' Meeting to be held on April 25, 2019 (see pages 380 to 395) will be requested to renew all of the authorizations for share capital increase, the authorizations for granting free or performance shares to corporate officers and employees of the Company and its affiliates as well as the authorization for share capital increase reserved for employees.

### 3. Capital

This table is part of the board of directors' governance report.

	Maximum par value of authorized capital increases	Number of shares (millions)	Authorization date/ authorization expires	Amount used at Dec. 31, 2018 (in millions of shares)
<b>I – Issues with preferential subscription rights for shares or warrants</b>				
or other securities, giving access immediately or in the future to the capital	800 million <sup>(1)</sup>	200	Apr. 25, 2017	6.1 <sup>(3)</sup>
			June 24, 2019	
<b>II – Issues without preferential subscription rights</b>				
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 <sup>(1)</sup>	57.5	Apr. 25, 2017	6.1 <sup>(3)</sup>
			June 24, 2019	
b) to make private placements of shares	115 million <sup>(1)(2)</sup>	28.75	Apr. 25, 2017	
			June 24, 2019	
c) to issue new shares as consideration for unlisted securities	9.7% of the capital <sup>(1)(2)</sup>	57.5	Apr. 25, 2017	
			June 24, 2019	
<b>III – Employee share issues</b>				
Company Savings Plan	2% of the capital <sup>(6)</sup>	11.50	Apr. 24, 2018	3.7 <sup>(3)</sup>
			June 23, 2020	
Share issues to promote share ownership among employees in foreign companies of the Group	1% of the capital <sup>(4)(6)</sup>	5.75	Apr. 24, 2018	– <sup>(3)</sup>
			Oct. 23, 2019	
Stock options	0.5% of the capital <sup>(7)</sup>	2.9	Apr. 25, 2016	–
			June 24, 2019	
Free shares or performance shares	2% of the capital <sup>(7)</sup>	11.78	Apr. 25, 2016	4.9 <sup>(5)</sup>
			June 24, 2019	

(1) The overall ceiling for issues is capped at EUR800 million in aggregate.

(2) Within the limit of the common ceiling for all issues of EUR230 million as mentioned under II°, a) + b) + c) being limited to EUR230 million.

(3) At its meeting of December 12, 2018, the board of directors authorized capital increases reserved for employees, within a limit of a global amount of 3.7 million shares, i.e. 0.64% of the capital. These capital increases reserved for employees, whether part of the Company Savings Plan or not, under a non-leveraged stock ownership plan, will take place in June 2019. The subscription prices will be set on that date. The capital increase reserved for employees participating in the Company Savings Plan will be deducted from the amount of the authorizations referred to in I and II a). In addition, capital increases reserved for employees issued in 2018 are counted towards these amounts, and resulted in the issue of 2.4 million shares. However, capital increases reserved for employees issued in 2017, resulting in the issue of 2.4 million shares, are not counted towards these amounts, which were implemented in pursuance of the 21<sup>st</sup> resolution of the Annual Shareholders' Meeting of April 25, 2016 but canceled by the new authorization granted by the Annual Shareholders' Meeting of April 25, 2017 (25<sup>th</sup> resolution).

(4) Issuances of shares reserved for employees in non-French subsidiaries will be deducted from the ceiling for capital increases reserved for employees participating in a Company Savings Plan.

(5) At the board of directors' meeting of October 26, 2016, 35,700 shares were granted under the 2016 long-term incentive plan. At the board of directors' meeting of March 24 and October 25, 2017, 2.4 million and 32,400 shares were granted respectively under the 2017 long-term incentive plan. At the board of directors' meeting of March 26 and October 24, 2018, 2.3 million and 28,000 shares were granted respectively under the 2018 long-term incentive plan. In addition, at the board of directors' meeting of February 13, 2019, the principle was agreed that a maximum of 2.4 million shares would be granted under the 2019 long-term incentive plan.

(6) On the date of the 2018 annual shareholder's meeting, the share capital was EUR2,300 million.

(7) On the date of the 2016 annual shareholder's meeting, the share capital was EUR2,355 million.

### 3.4: Three-year summary of changes in capital

The following table shows changes in Schneider Electric SE's share capital and additional paid-in-capital since December 31, 2015 through capital increases/decrease and the exercise of stock options:

	Number of shares issued or canceled	Cumulative number of shares	Total
Employee share issue	2,413,939		
Exercise of stock options, warrants and performance shares issued	1,629,391		
<b>Capital as of Dec. 31, 2015<sup>(1)</sup></b>		<b>588,734,472</b>	<b>EUR2,354,937,888</b>
Employee share issue	2,842,752		
Exercise of stock options, warrants and performance shares issued	921,535		
<b>Capital as of Dec. 31, 2016<sup>(2)</sup></b>		<b>592,498,759</b>	<b>EUR2,369,995,036</b>
Employee share issue	2,413,368		
Exercise of stock options and performance shares issued	2,004,115		
<b>Capital as of Dec. 31, 2017<sup>(3)</sup></b>		<b>596,916,242</b>	<b>EUR2,387,664,968</b>
Decrease in capital	22,000,000		
Employee share issue	2,406,585		
Exercise of stock options and performance shares issued	1,845,942		
<b>CAPITAL AS OF DEC. 31, 2018<sup>(4)</sup></b>		<b>579,168,769</b>	<b>EUR2,316,675,076</b>

(1) Increase in share capital (EUR16.2 million), increase in additional paid-in-capital (EUR141.02 million).

(2) Increase in share capital (EUR15.1 million), increase in additional paid-in-capital (EUR148 million).

(3) Increase in share capital (EUR17.7 million), increase in additional paid-in-capital (EUR149 million).

(4) Decrease in share capital (EUR71 million) and in additional paid-in-capital (EUR2,171 million).

### 3.5: Share buybacks

The Annual Shareholders' Meeting of April 25, 2017 authorized the Company to buy back shares. This authorization was renewed by the Annual Shareholders' Meeting of April 24, 2018.

Pursuant to these authorizations, the Company bought back 12,352,342 of its own shares during the year.

At its meeting of February 14, 2018, the board of directors decided to proceed with the cancellation of 22,000,000 treasury shares, representing 3.69% of the share capital as of December 31, 2017, in pursuance with the authorization granted to it at the Annual Shareholders' Meeting of April 25, 2017 in its twenty-seventh resolution. Further to this cancellation, the Company held 17,349,507 of treasury shares, representing 3.02% of the share capital as of December 31, 2017 after capital reduction.

Details of the share buyback program to be submitted for approval to the Annual Shareholders' Meeting of April 25, 2019 are as follows:

- number of shares and percentage of share capital held directly and indirectly by Schneider Electric SE (as of January 31, 2019):
  - own shares: 29,689,958 shares, *i.e.* 5.13% of share capital,
  - treasury shares: 1,058 shares,
  - total: 29,691,016 shares, *i.e.* 5.13% of share capital;
- overview of purposes for which shares have been held:
  - the 29,689,958 shares held in own shares as at January 31, 2019 are held for allocation on the exercise of stock options or performance shares;
- share buyback program objectives:
  - reduce the capital by canceling shares,
  - hold shares for allocation on the exercise of stock option plans or performance shares plans or to permit the conversion of convertible debt securities,
  - undertaking (for exchange, payment or other purposes) external growth transactions, mergers, spin-offs or contributions,
  - market making under a liquidity agreement;
- maximum number of shares that may be acquired:
  - 10% of the issued share capital as of the date of the Annual Shareholders' Meeting, representing, on the basis of the issued share capital as of January 31, 2019, a total of 57,918,647 Schneider Electric SE shares with a nominal value of EUR4,
  - taking into account treasury stock and own shares at January 31, 2019 (29,691,016 shares), the number of shares that could be bought back under the authorization is 28,227,631 or 4.87% of the capital as of January 31, 2019;
- 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,
  - EUR5,212,678,230;
- duration of the buyback program:
  - 18 months maximum, expiring on October 24, 2020;
- transactions carried out pursuant to the program authorized by the Annual Shareholders' Meeting 2018 between April 25, 2018 and February 13, 2019:
  - transactions carried out by the Company:
    - number of shares acquired: 10,683,700,
    - number of shares transferred: 850.

#### 4. Ownership structure

# 4. Ownership structure

#### 4.1: Three-year summary of changes in capital<sup>(1)</sup>

	Dec. 31, 2018				Dec. 31, 2017		Dec. 31, 2016	
	Capital	Number of shares	Voting rights	Number of voting rights	Capital	Voting rights	Capital	Voting rights
	%		%		%	%	%	%
Sun Life Financial, Inc.	8.6	49,850,465	8.2	49,850,465	5.9	5.6	5.8	5.4
BlackRock, Inc.	5.8	33,426,904	5.5	33,426,904	5.5	5.2	5.2	4.8
Employees	4.3	25,144,027	7.2	43,750,917	4.1	7.4	4.5	7.1
Treasury shares	5.1	29,691,016	–	–	6.6	–	6.3	–
Public	76.2	441,056,357	79.1	481,125,287	77.9	81.8	78.2	82.7
<b>TOTAL</b>	<b>100.0</b>	<b>579,168,769</b>	<b>100.0</b>	<b>608,153,573<sup>(2)</sup></b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(1) Table lists ownership stakes that have breached 5% ownership voting rights threshold in the previous 3 years, to the best of the company's knowledge.

(2) Number of voting rights as defined in article 223-11 of the AMF General Regulation, which includes shares deprived of voting rights.

#### Disclosure thresholds

To the best of the company's knowledge, no shareholders other than Sun Life Financial, Inc. and BlackRock Inc., both listed above, hold, either directly or indirectly, more than 5% of Schneider Electric's capital or voting rights.

#### Changes in holdings (for stake equal to or greater than 5%)

Date	Company	Capital (%)	Voting rights (%)
January 19, 2018	BlackRock	5.28	5.03
January 22, 2018	BlackRock	5.22	4.98
January 23, 2018	BlackRock	5.25	5.01
January 24, 2018	BlackRock	5.15	4.91
February 12, 2018	BlackRock	5.37	5.12
February 19, 2018	BlackRock	5.22	4.97
February 23, 2018	BlackRock	5.30	5.05
February 26, 2018	BlackRock	5.22	4.97
February 28, 2018	Sun Life Financial	5.26	5.01
April 13, 2018	BlackRock	5.39	5.14
April 30, 2018	BlackRock	5.12	4.88
May 10, 2018	BlackRock	5.27	5.02
September 18, 2018	BlackRock	5.22	4.99
October 10, 2018	BlackRock	5.27	5.03
October 12, 2018	BlackRock	5.21	4.97
October 26, 2018	BlackRock	5.24	5.00
October 29, 2018	BlackRock	5.22	4.98
November 19, 2018	BlackRock	5.26	5.02
November 20, 2018	BlackRock	5.13	4.90
November 23, 2018	BlackRock	5.31	5.07
November 26, 2018	BlackRock	5.22	4.99
November 30, 2018	BlackRock	5.25	5.02
December 3, 2018	BlackRock	5.16	4.92
December 20, 2018	BlackRock	5.26	5.02

#### Pledges on Schneider Electric SE shares

535,688 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. 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)	2018	2017	2016	2015	2014
Profit-based incentive plans and profit-sharing plans	66.9	71.7	65.2	66.4	63.5

In 2018, 54% of the total from incentives and profit-sharing was invested in the Schneider Electric shareholder fund and nearly 17% was received by employees in cash.

### 5.2: The “Schneider Electric” employee shareholding

Schneider Electric employees are the drivers of Company growth, thanks to their knowledge of the business and their involvement in the roll-out of the Group strategy. With the Employee Share Ownership program, Schneider Electric shares with the employees the Company value creation, thus aligning both Company and employees interests. 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 2018. This operation, without leverage effect, was offered to over 80% of employees. 45% of the eligible employees subscribed to the share capital increase and 2.4 million shares were thus subscribed for a total amount of EUR155 million.

On December 31, 2018, Group employees held a total of 25,1 million Schneider Electric SE shares through the corporate mutual funds (FCPE) or directly, or through Performance share plans, representing 4.3% of the capital and 7.2% of the voting rights, taking into account double voting rights.

Voting rights attached to shares held by corporate mutual funds are exercised by the supervisory boards of the corporate mutual funds.

The Group's employee shareholders are spread among nearly 75 countries, with the following breakdown: 25% in France, where they represent 45% of employee shareholding, 13% in China as well as in the United States; 11% in India, and 38% elsewhere. Circa half of all employees are shareholders of the Group.

## 6. Shares and stock option plans

# 6. Shares and stock option plans

*This section is part of the board of directors' governance report.*

### Shares and stock option plans<sup>(1)</sup>

#### 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. No stock options or SARs have been granted since 2009.

These plans are granted by the board of directors, based on the report from the Human Resources and CSR committee.

Beneficiaries include members of group Senior Management, top managers, high-potential managers and employees in all countries whose performance was judged remarkable. There were 2,329 beneficiaries in 2017 long-term incentive plan and 2,382 in the 2018 long-term incentive plan.

Allocations to Group Senior Management, including Corporate Officers, represent 12% of the total attributions in the framework of the 2018 long-term incentive plan, similar to the proportion prevalent in the framework of the 2017 long-term incentive plan.

In addition, Schneider Electric exceptionally grants free shares. These grants are decided by the board of directors when it considers that, instead of allocating cash, a payment in shares is preferable to correlate this benefit with Group's long-term development through the evolution of the share price and/or create a retention element.

#### Description of performance shares allocated

For the French plans 17, 17 bis, 21 and 21 bis, the vesting and lock-up periods for stock allocations are at least 2 years each.

For the French plan 25, the vesting period for share allocations is 3 years, followed by a lock-up period of 2 years.

For international plans 18, 18 bis, 22 and 22 bis, 26, the vesting period for share allocations is 4 years. There is no lock-up period.

For plans 27, 29 and 29 bis, 31 and 31bis applicable in France and internationally, the vesting period for share allocations is 3 years. There is no lock-up period.

For plans 28 and 30, applicable to Corporate Officers only, the vesting period is 3 years, followed by a lock-up period of 1 year.

Performance shares vest only if the beneficiary is a Group employee as of the vesting date and if certain performance targets, detailed below, are met (see page 368).

Since January 2009, for Corporate Officers, and since December 2011 for members of the Executive Committee, allocations of performance shares are fully subject to the achievement of performance conditions.

#### Description of the options allocated

The option exercise price was equal to the average closing price of the 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 366). All of the options granted to Corporate Officers have been subject to performance criteria since January 2009.

The last options were granted in 2009 and the rights attached to the remaining ones expire by December 12<sup>th</sup>, 2019.

(1) The figures below have been calculated where necessary to take account of the 2-for-1 share split, effective from September 2, 2011.

### 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 Corporate Officers

The board of directors has set:

- a retention target of shares representing 3 years of base salary for Mr. Jean-Pascal Tricoire, and 2 years of base salary for Mr. Emmanuel Babeau. Calculation of the number of shares held is based on Schneider Electric SE shares and the equivalent in shares of the corporate mutual fund units invested in Schneider Electric shares held by the beneficiaries.

In accordance with the provisions of articles L.225-185 and L.225 197 1 of the French Commercial Code and the AFEP/MEDEF guidelines, the board of directors has approved the following:

- a proportion of shares issued 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, mandatory contributions and the sums necessary to fund the purchase of such shares. The percentage is set 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 set at 25% for Jean-Pascal Tricoire and 15% for Emmanuel Babeau;
- mandatory investment in Schneider Electric SE shares of 10% of the selling price (net of taxes and contributions) of performance share grants acquired through plans set up since 2009.

These obligations are suspended once the shareholding targets described above are met.

Corporate Officers formally undertake, 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.

The Board verified that the Corporate Officers were complying with the lock-up obligations presented above and was satisfied therewith.

### Stock options and shares held by Corporate Officers and Directors

	STOCK OPTIONS		PERFORMANCE SHARES			OTHER SHARES
	Stock Options*	Shares issued from stock options	Shares granted, in the process of being acquired	Acquired but not yet available for sale	Acquired and available for sale	including through FCPE Funds
<b>Jean-Pascal Tricoire</b>	–	420,257	219,120	42,480	123,690	37,096
		under plans 20, 24, 28, 30, 31 and 33	under plans 20c, 22, 25, 26, 28, 29; 30; 31	under plans 19a and b and 20 a and b (available February 18, 2020 for 29,700 shares), and 21 (March 27, 2020, 12,780 shares)	under plans 3, 5, 8, 10, 15 and 17	
<b>Emmanuel Babeau</b>	–	–	90,922	13,288	–	21,220
			under plans 22, 25, 26, 28, 29; 30; 31	under plans 19a and b and 20 a and b (available February 18, 2020 for 7,750 shares), and 21 (March 27, 2020, 5,538 shares)		

\* All stock options granted to Corporate Officers in such capacity and which remained outstanding as at December 31, 2017 were exercised in 2018.

## 6. Shares and stock option plans

### Shares held by Directors other than Corporate Officers

Directors not employed in Schneider Electric operations do not benefit from Shares and Stock Options plans.

	Shares acquired as performance shares	Other shares including through FCPE Funds
Léo Apotheker	N/A	3,093
Betsy Atkins	N/A	1,000
Cécile Cabanis	N/A	1,000
Antoine Gosset-Grainville	N/A	1,000
Fred Kindle	N/A	40,000
Willy Kissling	N/A	1,600
Linda Knoll	N/A	1,000
Xiaoyun Ma*	8,450	9,134
Patrick Montier*	–	4,140
Fleur Pellerin	N/A	1,000
Anders Runevad	N/A	1,000
Greg Spierkel	N/A	1,000
Lip-Bu Tan	N/A	0

\* Directors employed in Schneider Electric Operations.

### 6.1: Past stock option plans\*

Plan	Plan date	Number of beneficiaries at grant	Number of options at grant	Exercise price (in euros)	Performance criteria	% of targets reached	Options canceled by performance criteria	Options outstanding as at December 31, 2018 <sup>(1)</sup>
31	01/05/2009	328	1,358,000	22.99	50% of options/100% for the management board – 2011 operating margin <sup>(2)</sup> and 2009 to 2011 EPS compared to a benchmark selection <sup>(3)</sup>	80	133,760	19,566
33	12/21/2009	391	1,652,686	33.48	50% of options/100% for the management board – 2010 and 2011 operating margin <sup>(2)</sup> and 2011 share of revenue generated in the new economies	100		210,356
			<b>3,010,686</b>			<b>–</b>	<b>133,760</b>	<b>229,922</b>

\* The data above are adjusted of the 2-for-1 share split, effective September 2, 2011 and the adjustment for dividends paid out of distributable earnings from 2014 to 2018 included.

(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 competitors.



## 6.2: Details on outstanding options (2018)\*

Plan	Plan date	Type of plan <sup>(1)</sup>	Expiration date	Exercise price (in euros) <sup>(2)</sup>	Plans as at December 31, 2017	Of which Corporate Officers	Number of options exercised during the financial year	Number of options canceled during the financial year	Options outstanding as at December 31, 2018
31	01/05/2009	S	01/04/2019	22.99	156,633	78,852	(137,718)	651	19,566
33	12/21/2009	S	12/20/2019	33.48	400,350	109,504	(196,956)	6,962	210,356
					<b>556,983</b>	<b>188,356</b>	<b>(334,674)</b>	<b>(7,613)</b>	<b>229,922</b>

\* The data above are adjusted for the 2-for-1 share split, effective September 2, 2011 and for the adjustment for dividends paid in distributable earnings from 2014 to 2018 included.

(1) S = Subscription stock option plan.

(2) Average of the 20 quotations preceding the grant, with no discount or premium.

## 6.3: Situation of Corporate Officers<sup>(1)</sup>, broken down by plan (at December 31, 2018)

All stock options outstanding as at December 31, 2017 were exercised in 2018.

31	Jean-Pascal Tricoire	0
33	Jean-Pascal Tricoire	0

(1) In the role as Corporate Officer at the date of grant.

## 6. Shares and stock option plans

### 6.4: Past share plans (at December 31, 2018)\*

Plan Number	Plan 17	Plan 17 bis	Plan 18
<b>Grant date</b>	03/31/14	10/28/14	03/31/14
<b>Nb. of shares at grant</b>	714,480	500	2,177,320
<b>of which</b>			
• J. P. Tricoire	18,000	–	42,000
• E. Babeau	26,000	–	–
<b>Vesting/delivery date</b>	03/31/16	10/28/16	31/31/18
<b>End of holding period</b>	04/02/18	10/29/18	04/02/18
<b>Performance conditions</b>	50% of the shares/100% for the executive officers and Executive Committee – 2014 and 2015 operating margin <sup>(1)</sup> , 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
<b>% achievement performance condition</b>	78%	78%	78%
<b>Nb rights outstanding as of Dec. 31, 2017</b>	–	–	1,486,408
<b>Nb rights granted in 2018</b>			
<b>Nb shares delivered in 2018</b>			(1,472,884)
<b>Nb rights canceled<sup>(1)</sup> in 2018</b>			(13,524)
<b>Nb rights outstanding as of Dec. 31, 2018</b>	–	–	–

\* Performance conditions have been validated February 13, 2019 Board meeting post December 31, 2018, c.f. page 257.

(1) Excluding restructuring costs.

Plan 18 bis	Plan 19 a & b	Plan 20 a & b & c	Plan 21	Plan 21 bis
10/28/14	02/18/15	02/18/15	03/27/15	10/28/15
30,900	14,025	32,725	719,970	1,500
–	11,700	27,300	18,000	–
–	2,325	5,425	7,800	–
10/28/18	18/02/2017 18/02/2018	18/02/2017 18/02/2018 18/02/2019	03/27/17	10/28/17
	18/02/2020	18/02/2020	03/27/19	10/30/19
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 <sup>(4)</sup> , average ROCE for the years 2015 and 2016 and change in the Planet & Society barometer at the end of 2016	Same as plan 21
78%	–	–	71%	71%
25,721	9,100	21,250	–	–
(16,821)	(9,100)	(11,950)		
(8,900)				
–	–	<b>9,300</b>	–	–

## 6. Shares and stock option plans

Plan Number	Plan 22	Plan 22 bis	Plan 22 ter
<b>Grant date</b>	03/27/15	10/28/15	10/28/15
<b>Nb. of shares at grant</b>	2,095,610	32,650	24,570
<b>of which</b>			
• J. P. Tricoire	42,000	–	–
• E. Babeau	18,200	–	–
<b>Vesting/delivery date</b>	03/27/19	10/28/19	10/28/19
<b>End of holding period</b>			
<b>Performance conditions</b>	Same as plan 21	Same as plan 21	No performance condition

<b>% achievement performance condition</b>	71%	71%	–
<b>Nb rights outstanding as of Dec. 31, 2017</b>	1,512,164	27,065	24,570
<b>Nb rights granted in 2018</b>			
<b>Nb shares delivered in 2018</b>	(513)		
<b>Nb rights canceled<sup>(4)</sup> in 2018</b>	(103,033)	(7,268)	
<b>Nb rights outstanding as of Dec. 31, 2018</b>	<b>1,408,618</b>	<b>19,797</b>	<b>24,570</b>

\* Performance conditions have been validated February 13, 2019 Board meeting post December 31, 2018, c.f. page 257.

Plan 23	Plan 24	Plan 25	Plan 26	Plan 27
03/23/16	03/23/16	03/23/16	03/23/16	10/26/16
7,983	27,042	744,540	2,291,200	35,700
–	–	18,000	42,000	–
–	–	7,800	18,200	–
03/23/18	03/23/20	03/30/19	03/23/20	10/26/19
03/23/20	03/23/20	03/31/21	N/A	N/A
No performance condition	No performance condition	50% of the shares/100% for the executive officers and Executive Committee – 2016, 2017, 2018 Adjusted EBITA average achievement rate, 2016, 2017, 2018 Cash conversion rate average, TSR ranking & Planet & Society barometer index at the end of 2018	Same as Plan 25	70% of the shares – 2016, 2017, 2018 Adjusted EBITA average achievement rate, 2016, 2017, 2018 Cash conversion rate average, TSR ranking & Planet & Society barometer index at the end of 2018
–	–	*	*	*
7,983	27,042	737,740	2,120,750	34,700
(7,983)			(850)	
		(23,600)	(157,000)	(1,000)
–	<b>27,042</b>	<b>714,140</b>	<b>1,962,900</b>	<b>33,700</b>

## 6. Shares and stock option plans

Plan Number	Plan 28	Plan 29	Plan 29 bis
<b>Grant date</b>	03/24/17	03/24/17	10/25/17
<b>Nb. of shares at grant</b>	25,800	2,405,220	32,400
<b>of which</b>			
• J. P. Tricoire	18,000	42,000	–
• E. Babeau	7,800	18,200	–
<b>Vesting/delivery date</b>	03/24/20	03/24/20	10/25/20
<b>End of holding period</b>	03/23/21	N/A	N/A
<b>Performance conditions</b>	100% for the executive officers and Executive Committee – 2017, 2018, 2019 Adjusted EBITA average achievement rate, 2017, 2018, 2019 Cash conversion rate average, TSR ranking at end of 2019, & 2017, 2018, 2019 Planet & Society barometer index average achievement rate	70% of the shares/100% for the executive officers and Executive Committee – 2017, 2018, 2019 Adjusted EBITA average achievement rate, 2017, 2018, 2019 Cash conversion rate average, TSR ranking at end of 2019, & 2017, 2018, 2019 Planet & Society barometer index average achievement rate	70% of the shares, 2017, 2018, 2019 Adjusted EBITA average achievement rate, 2017, 2018, 2019 Cash conversion rate average, TSR ranking at end of 2019, & 2017, 2018, 2019 Planet & Society barometer index average achievement rate
<b>% achievement performance condition</b>			
<b>Nb rights outstanding as of Dec. 31, 2017</b>	25,800	2,359,370	32,400
<b>Nb rights granted in 2018</b>			
<b>Nb shares delivered in 2018</b>		(2,000)	
<b>Nb rights canceled<sup>(1)</sup> in 2018</b>		(98,200)	(600)
<b>Nb rights outstanding as of Dec. 31, 2018</b>	<b>25,800</b>	<b>2,259,170</b>	<b>31,800</b>

\* Performance conditions have been validated February 13, 2019 Board meeting post December 31, 2018, c.f. page 257.

Plan 30	Plan 31	Plan 31 bis	Total
03/26/18	03/26/18	10/24/18	
25,800	2,318,140	28,000	13,786,075
18,000	42,000	–	339,000
7,800	18,200	–	137,750
03/26/21	03/26/21	10/25/21	
03/26/22	N/A	N/A	
100% for the executive officers and Executive Committee – 2018, 2019, 2020 Adjusted EBITA average achievement rate, 2018, 2019, 2020 Cash conversion rate average, TSR ranking at the end of 2020, & 2018, 2019, 2020 Sustainability impact barometer average achievement rate	70% of the shares/100% for the executive officers and Executive Committee – 2018, 2019, 2020 Adjusted EBITA average achievement rate, 2018, 2019, 2020 Cash conversion rate average, TSR ranking at the end of 2020, & 2018, 2019, 2020 Sustainability impact barometer average achievement rate	70% of the shares, 2018, 2019, 2020 Adjusted EBITA average achievement rate, 2018, 2019, 2020 Cash conversion rate average, TSR ranking at the end of 2020, & 2018, 2019, 2020 Schneider Sustainability Impact barometer index average achievement rate	
			8,452,063
25,800	2,318,140	28,000	2,371,940
			(1,522,101)
	(33,200)		(446,325)
<b>25,800</b>	<b>2,284,940</b>	<b>28,000</b>	<b>8,855,577</b>

## 6. Shares and stock option plans

### 6.5: Options granted and exercised and stock grants made to the top 10 employee grantees during the year

The data below are adjusted for the 2-for-1 share split, effective September 2, 2011.

#### Stock options or share purchase options granted or exercised by the 10 highest beneficiaries among employees (excluding Corporate Officers)

	Number	Exercise price/ Average weighted price	Plan
Options exercised in 2018 for which the number of shares bought or subscribed is the highest	56,291	EUR30.53	31-33

No option was granted in 2018.

#### Shares awarded to the 10 most highly paid employees (excluding Corporate Officers)

	Number	Plan
2018 Performance share grant (annual plan allocation of March 26, 2018)	200,000	31



## 7. Stock market data

# 7. Stock market data

In France, Schneider Electric is listed on Euronext Paris (sub-fund A), where it is traded on a per-share basis under ISIN code FR0000121972. Schneider Electric SE shares are included on the CAC 40 index established by Euronext.

## 18-month trading data in Paris

Year	Month	Number of securities traded (in thousands of shares)	Value (in millions of euros)	High <sup>(1)</sup>	Low <sup>(1)</sup>	Number of trading sessions
2017	August	26,707	1,807	70.26	65.00	23
	September	28,295	2,018	73.63	67.83	21
	October	24,964	1,839	75.70	72.41	22
	November	27,557	1,990	75.94	70.04	22
	December	22,258	1,587	72.66	69.75	19
2018	January	26,797	1,991	76.34	69.54	22
	February	34,487	2,454	75.84	68.30	20
	March	33,628	2,374	72.72	68.18	21
	April	28,908	2,088	76.10	68.38	20
	May	33,735	2,542	78.56	73.02	22
	June	35,242	2,583	76.66	69.22	21
	July	34,385	2,399	72.16	67.08	22
	August	32,875	2,262	71.58	66.54	23
	September	37,194	2,543	70.62	64.02	20
	October	45,264	2,835	69.58	57.66	23
	November	34,897	2,227	66.06	61.92	22
	December	32,730	2,002	67.00	57.54	19
	<b>Total 2018</b>	<b>410,142</b>	<b>28,300</b>	<b>78.56</b>	<b>57.54</b>	<b>255</b>
2019	January	33,398	1,995	62.80	57.58	22

(1) The data corresponds to trading volumes on NYSE Euronext.

## Five-year trading summary

	2018	2017	2016	2015	2014
Average daily trading volume on the Paris stock exchanges (NYSE Euronext):					
• Number of shares (in thousands)	1,608.40	1,317.91	1,689.00	2,107.54	1,672.33
• in million of euros	110.98	91.37	94.56	130.16	106.20
High and low share prices (in euros)					
• high	78.56	75.94	66.63	75.29	72.22
• low	57.54	63.36	45.32	48.57	52.59
Year-End closing price (in euros)	59.72	70.86	66.11	52.56	60.61
Yield (%)	3.94	3.10	3.09	3.81	3.17

## 7. Stock market data

The Schneider Electric SE share results versus the CAC 40 index (rebased) over five years



### Monep

Schneider Electric SE shares have been traded on the MONEP market since December 20, 1996.

### 7.1: Ordinary bonds

The information is disclosed in note 9 of the company financial statements (page 342).

## 8. Investor relations

# 8. Investor relations

### 8.1: Person responsible for financial information

Emmanuel Babeau  
Deputy CEO, in charge of Finance and Legal Affairs  
35, rue Joseph Monier – CS30323  
92506 Rueil-Malmaison Cedex – France  
Tel: +33 (0)1 41 29 71 19

### 8.2: Contacts

Any information or document may be requested from:  
Amit Bhalla – Senior Vice-President, Investor Relations  
For institutional investors and financial analysts: Tel: +44 (0)207 592 8747  
For individual investors:

- email: [actionnaires@schneider-electric.com](mailto:actionnaires@schneider-electric.com) via the contact form accessible on line on the corporate website: [www.schneider-electric.com](http://www.schneider-electric.com)

### 8.3: Shareholders' Advisory Committee

The committee is the voice of Schneider Electric's individual shareholders. The committee consists of 8 to 10 independent volunteers appointed by Schneider Electric.

The Advisory Committee meets 4 to 5 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;
- Newsletters 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](http://www.schneider-electric.com/finance)

# Annual Shareholders' Meeting

# 8

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## 1. Report of the board of directors to the ordinary and extraordinary shareholders' meeting

# 1. Report of the board of directors to the ordinary and extraordinary shareholders' meeting

### 1.1: Ordinary meeting

#### Approval of corporate financial statements – First resolution

We request you to approve the transactions and financial statements for the year 2018, as presented, which show a net profit of EUR4,457,993,619.34.

#### Approval of consolidated financial statements – Second resolution

We request that you approve the transactions and consolidated financial statements for the year 2018, as presented, which show net income for the Group of EUR2,334 million and an adjusted net income from non-recurring items (impact of business disposals, main integration and acquisition costs net of tax, restructuring charges net of tax, impact of tax reforms) of EUR2,560 million.

#### Distribution: appropriation of profit and setting of a dividend of EUR2.35 per share – Third resolution

We also recommend a distribution of **EUR2.35 per EUR4 par nominal value share**, which represents a distribution rate 53.2% of the Group's net adjusted income. It will be paid on **May 3, 2019** on the 579,168,769 shares with dividend rights on January 1, 2019 that made up the capital on December 31, 2018. No dividend will be paid on shares held in treasury by the Company on the payment date.

This distribution will be paid out of distributable earnings consisting of:

- (i) retained earnings of EUR84,171,289.40;
- (ii) the net profit for the year amounting to EUR4,457,993,619.34;

Amounting to EUR4,542,164,908.74.

The total distribution will amount to EUR1,361,046,607.15 and the remaining profit available for distribution will be allocated to profit earnings.

The distribution will be paid on May 3, 2019, according to the following schedule:

Dividend ex-date	Tuesday, April 30, 2019
Record date	Thursday, May 02, 2019
Dividend payment date	Friday, May 03, 2019

For individual shareholders resident for tax purposes in France, the distribution of EUR2.35 per share constitutes distributed income. As such, a social security tax of 17.2% will be charged on the gross amount when paid. The gross amount of French-source dividends received by resident individuals will also be subject to a mandatory non-definitive withholding tax of 12.8%.

Nevertheless, individuals belonging to a tax household whose taxable income for the penultimate year is less than EUR50,000 with the status of single, divorced or widowed taxpayer, and EUR75,000 for couples who file a joint tax return, can request exemption from this withholding tax. To this end, under their responsibility, they should submit their application for exemption to the paying entity, in the form of a sworn statement indicating that their reference taxable income listed on their tax form established under income for the penultimate year preceding the payment of the income, shows income lower than the thresholds indicated above. This application must be filed no later than November 30 of the year preceding that of the payment.

In 2020, dividends will in principle be subject to a flat tax ("Prélèvement Forfaitaire Unique" – "PFU") at the rate of 12.8%. However, taxpayers may opt for dividends to be subject to income tax at ordinary progressive rates. In such case, after applying a 40% (uncapped) allowance, only 60% of the dividends will be included in the taxable income, less any deductible charges and expenses. The option for taxation at the ordinary progressive tax rates is irrevocable and applies to all investment income received by the taxpayer. It is made in the income tax return filed every year following the one when the dividends are received.

The above-mentioned levy at source of 12.8% will be offset against the income tax that will be due in 2020 for income earned in 2019. If it exceeds the income tax due, the surplus will be paid back.

Shareholders are invited to contact their usual advisors for further information about the applicable tax regime.

Dividends/coupons paid by Schneider Electric SE in respect of the 3 most recent financial years are as follows:

	2015	2016	2017
Net dividend paid per share in EUR	2.00	2.04	2.20

#### Agreements regulated by Articles L.225-38 and L.225-42-1 – Fourth resolution

Under the **fourth resolution** regarding the implementation during the financial year of agreements and commitments already approved by the Annual Shareholders' Meeting, we request that you take note of the Statutory Auditors' special report on regulated agreements and commitments prepared in accordance with Article L.225-40 of the French Commercial Code. These agreements and commitments concern the status of Messrs. Jean-Pascal Tricoire and Emmanuel Babeau.

#### Approval on components of the compensation and benefits of all types paid, due or awarded in respect of the 2018 financial year to Messrs. Jean-Pascal Tricoire et Emmanuel Babeau – Fifth and sixth resolutions

In pursuance of articles L.225-37-2 and L.225-100 of the French commercial code, you are requested to approve fixed, variable and exceptional components of the total compensation and benefits of all types due or granted in respect of the past financial year to the corporate officers of your Company as summarized in the following tables.

These components are presented, detailed and quantified in section 4.7 of the registration document. This section dedicated to the compensation of the group senior managers is part of the corporate governance report prescribed by Article L.225-37 of the French Commercial Code.

For easy reference, you will find in this section a reminder of the principles and criteria governing the allocation of the corporate officers' compensation that you approved at the Shareholders' Meeting of April 24, 2018 and pursuant to which the compensation and benefits of all types due for 2018 to the Chairman and CEO, Mr. Tricoire, and to the Deputy CEO, Mr. Babeau, were calculated and set by the board of directors at its meeting of February 13, 2019.

The achievement rates of the performance conditions are presented and commented therein.

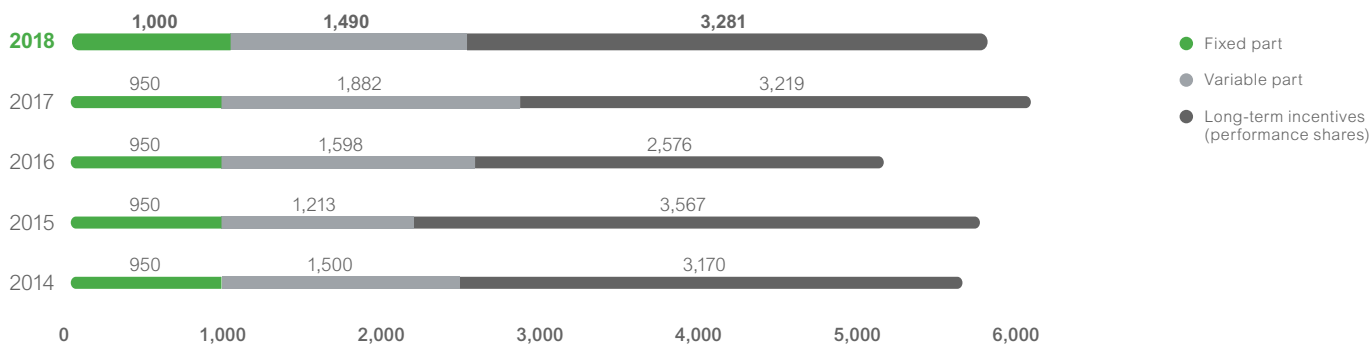
A reminder is also given that cash variable components (annual incentive and complementary variable portion for building pensions) will be only paid subject to approval of the compensation of the concerned corporate officer by a majority of the shareholders.

By the **fifth resolution** you are requested to approve the elements of Mr. Jean-Pascal Tricoire's 2018 compensation and by the **sixth resolution** that of Mr. Emmanuel Babeau.

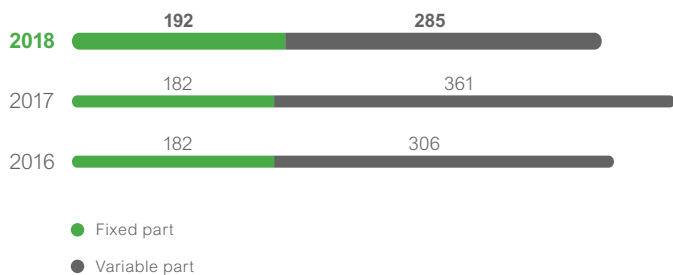
## 1. Report of the board of directors to the ordinary and extraordinary shareholders' meeting

The evolution of the annual compensation and additional payments for pension building for Jean-Pascal Tricoire and Emmanuel Babeau are summarized in the graphs below.

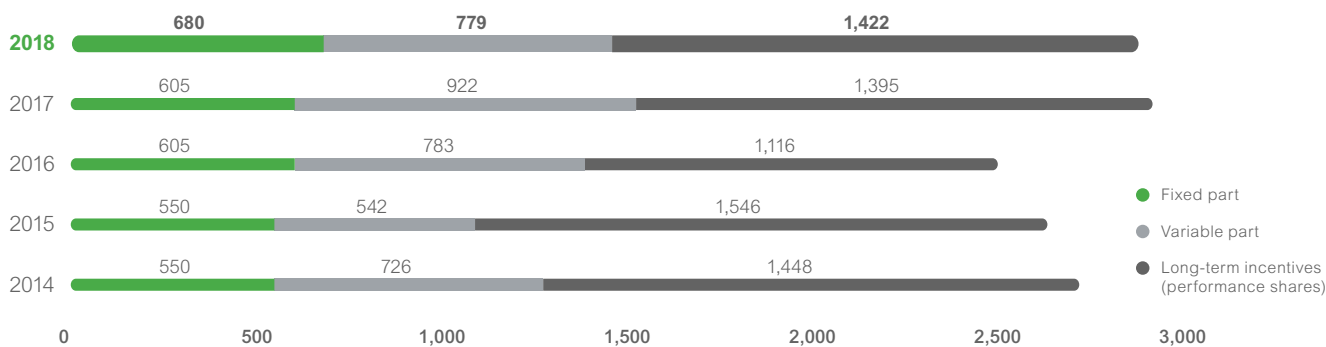
Annual fixed and variable compensation plus long-term incentives of Mr. Tricoire (in thousands of euros) for the years 2014 to 2018



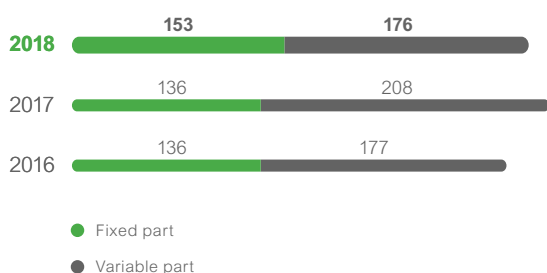
Complementary payments (fixed and variable parts) for retirement of Mr. Tricoire (in thousands of euros) for the years 2016 to 2018



Annual fixed and variable compensation plus long-term incentives of Mr. Babeau (in thousands of euros) for the years 2014 to 2018



Complementary payments (fixed and variable parts) for retirement of Mr. Babeau (in thousands of euros) for the years 2016 to 2018





## Mr. Jean Pascal Tricoire, Chairman and CEO

### I – Elements of compensation payed, due or awarded for the past FY

	Amounts submitted to the vote	Description
1) Base salary	EUR1,000,000	Gross annual fixed compensation of EUR1,000,000 from January 1, 2018 to December 31, 2018 approved by the shareholders' meeting of April 24, 2018.
2) Annual incentive	EUR1,489,800	<p>The annual incentive portion amounts to 130% of fixed compensation. The annual incentive may vary from 0 to 260% depending on the level of achievement of pre-set objectives. Its structure is unchanged since 2015.</p> <p>At the board meeting held on February 13, 2019, annual incentives for 2018 due to be paid after the annual shareholders' meeting if the latter approves it, were set at 149% of the fixed portion, which represents an achievement rate of 114.6% on a base 100.</p> <p>This calculation is broken down as follows:</p> <p><b>1) Economic criteria component (84%) based on:</b></p> <ul style="list-style-type: none"> <li>Group financial indicators (60%), which are organic sales growth (30%), adjusted EBITA margin (org.) improvement (20%) and cash generation targets (10%),</li> <li>Company program economic priorities (24%), which are the growth of field services sales-process automation excluded – (8%) and systems commercial margin improvement (projects and equipment) (8%) as well as a criterion measuring the digital performance as per parameters non disclosed due to business secrecy (8%).</li> </ul> <p>The achievement rate in connection with these criteria was 133.6% (base 100).</p> <p><b>2) Company program non-economic component (6%) based on the indicator Schneider Sustainability Impact (6%), for which achievement rate was set at 173.3% (base 100).</b></p> <p><b>3) Individual objectives (10%),</b> which are specific objectives and, wherever possible, quantified, for which the board set the achievement rate at 100% (base 100).</p> <p><b>4) Board reduction:</b> The Board has considered the objectives communicated to investors in the course of the year and the business environment, and decided to decrease the formulaic outcome for the achievement rate on Group criteria by 20 pts, representing a 18 pts reduction on the total achievement rate, from 132.6% to 114.6%.</p> <p>The achievement rates for each objective are detailed in the section of the Corporate Governance report dedicated to the compensation of the Corporate Officer.</p>
3) Complementary payments for retirement		<p>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 pension. To determine this authorized complementary compensation, the board of directors sought the recommendation of an independent expert, namely the firm WILLIS TOWERS WATSON.</p> <p>The board of directors ensured that the mechanism implemented therefore, was in line with shareholders' interests.</p>
Annual complementary fixed portion	EUR191,600	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).
Annual complementary variable portion	EUR285,446	<p>At the meeting held on February 13, 2019 the annual complementary variable portion for 2018 due to be paid after the annual shareholders' meeting if the latter approves it, was set by the board of directors at 149% of the annual complementary fixed portion, <i>i.e.</i> an achievement rate of 114.6% on a base 100.</p> <p>The calculation was broken down in the same way as that of the annual incentive presented in 2) above.</p> <p>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.</p>

## 1. Report of the board of directors to the ordinary and extraordinary shareholders' meeting

	Amounts submitted to the vote	Description
4) Long-term incentive (Performance shares)	EUR982,620 for 18,000 performance shares according to IFRS valuation EUR2,298,660 for 42,000 performance shares according to IFRS valuation	<p>18,000 performance shares were granted under plan no. 30 to Mr. Tricoire in his capacity as Chairman and CEO of Schneider Electric SE.</p> <p>42,000 performance shares were granted under plan no. 31 to Mr. Tricoire in his capacity as Schneider Electric Asia Pacific CEO.</p> <p>100% of these 60,000 performance shares are subject to performance criteria measured over a period of 3 years:</p> <ul style="list-style-type: none"> <li>• 40% of the shares are contingent on the level of achievement of an adjusted EBITA operating margin objective for 2018 to 2020 FY as follows: the Adjusted operational margin criterion is defined as the average of the annual rates of achievement under the criterion of Adjusted EBITA margin for financial years 2018 to 2020 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 2018, the board had decided that, if the Adjusted EBITA margin (organic) increased by at least +10 basis points before foreign exchange impact compared with 2017, 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 2018 would be 100% with a linear distribution between the 2 points;</li> <li>• 25% of the shares are conditional on Group Cash conversion rate for 2018 to 2020 FY. The target average rate ranges between 80% and 100% according to the 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;</li> <li>• 20% of the shares are contingent on the average of the performance rate of the new Schneider Sustainability Impact (2018-2020) against predefined targets at the end of each of the three years. For 2018, if this index is lower than or equal to 3.5, no shares will vest. If this index is equal to or higher than 5, 100% of the shares will vest. Distribution is linear between the 2 points;</li> <li>• 15% of the shares are conditional to relative Total Shareholder Return (TSR) objectives from 01.01.18 to 31.12.20. The TSR objective is set based on Schneider Electric's TSR ranking within the following panel of companies: ABB, Legrand, Siemens, Schneider Electric, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa, according to following scale: a ranking in first quartile (1st, 2nd, 3rd place) enables an achievement rate of up to 150%, with an average rate of 135% (this achievement rate will, on the one hand, enable 100% achievement of the TSR criterion and, on the other hand, can offset, within the limit of 50% of the TSR criterion, non-achievement of the Adjusted EBITA target 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;</li> </ul> <p>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).</p> <p>These obligations are suspended insofar as Mr. Tricoire holds Schneider Electric shares with a value representing 3 times his annual fixed compensation.</p> <p>The percentage of capital represented by Mr. Tricoire's share allocation is 0.01%.</p> <p>Date of authorization by the Annual Shareholders' Meeting: April 25, 2016</p> <p>Resolution number: 19th.</p> <p>Date of the award decision by the board of directors: March 26, 2018.</p> <p>30% of Mr. Tricoire's compensation described above (items 1) to 4)) is granted to him in consideration for his duties as a Corporate Officer (Chairman and CEO) of Schneider Electric SE.</p>
5) Attendance fees	EUR0	Mr. Tricoire has waived his attendance fees.

	Amounts submitted to the vote	Description
6) Other benefits	EUR2,204	This concerns: <ul style="list-style-type: none"> <li>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 14, 2018.</li> <li>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 14, 2018.</li> </ul>
	EUR8,815	Mr. Tricoire benefited from profit-sharing. Date of approval by the board: February 14, 2018.
	EUR11,772	Mr. Tricoire benefited from company car. Date of approval by the board: February 14, 2018.

## II – Other elements of compensation, which were 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>i.e.</i> inclusive of compensation and complementary payments) paid over the last 3 years. (See Section 4-7 of the 2018 Registration Document). Board decision of June 18-19, 2013, reiterated on April 25, 2017 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (4 <sup>th</sup> 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>i.e.</i> including annual complementary payments – fixed and target variable – over the last 12 months of service). (See Section 4-7 of the 2018 Registration Document). Board decisions of 2009, 2012, and 2013, reiterated and amended on April 25, 2015 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (4 <sup>th</sup> resolution).
Supplementary pension scheme	N/A	
Supplementary Life & Disability scheme	EUR0	Mr. Tricoire benefits from rights to (i) a life-time annuity to the benefit of his surviving spouse in the event of his death before retirement or if he leaves the company after the age of 55 without taking up any other employment. This life-time annuity shall be equal to 60% of 25% of the average compensation paid ( <i>i.e.</i> 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>i.e.</i> 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 4-7 of the 2018 Registration Document). Board decision of February 18, 2015, reiterated on April 25, 2017 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (4 <sup>th</sup> 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 2015, reiterated on April 25, 2017 and February 14, 2018. Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (4 <sup>th</sup> resolution).

## 1. Report of the board of directors to the ordinary and extraordinary shareholders' meeting

## Mr. Emmanuel BABEAU, Deputy CEO

### I – Elements of compensation payed, due or awarded for the past FY

	Amounts submitted to the vote	Description
1) Base salary	EUR680,000	Gross annual fixed compensation of EUR680,000 from January 1, 2018 to December 31, 2018 approved by the shareholders' meeting of April 24, 2018.
2) Annual incentive	EUR779,280	<p>The annual incentive portion amounts to 100% of fixed compensation. The annual incentive may vary from 0 to 200% depending on the level of achievement of pre-set objectives. Its structure is unchanged since 2015.</p> <p>At the board meeting held on February 13, 2019, annual incentives for 2018 due to be paid after the annual shareholders' meeting if the latter approves it, were set at 114.6% of the fixed portion, which represents an achievement rate of 114.6% on a base 100.</p> <p>This calculation is broken down as follows:</p> <p><b>1) Economic criteria component (84%) based on:</b></p> <ul style="list-style-type: none"> <li>Group financial indicators (60%), which are organic sales growth (30%), adjusted EBITA margin (org.) improvement (20%) and cash generation targets (10%),</li> <li>Company program economic priorities (24%), which are the growth of field services sales – process automation excluded – (8%) and systems commercial margin improvement (projects and equipment) (8%) as well as a criterion measuring the digital performance as per parameters non disclosed due to business secrecy (8%).</li> </ul> <p>The achievement rate in connection with these criteria was 133.6% (base 100).</p> <p><b>2) Company program non-economic component (6%)</b> based on the indicator Schneider Sustainability Impact (6%), for which achievement rate was set at 173.3% (base 100).</p> <p><b>3) Individual objectives (10%)</b>, which are specific objectives and, wherever possible, quantified, for which the board set the achievement rate at 100% (base 100).</p> <p><b>4) Board reduction:</b> The Board has considered the objectives communicated to investors in the course of the year and the business environment, and decided to decrease the formulaic outcome for the achievement rate on Group criteria by 20 pts, representing a 18 pts reduction on the total achievement rate, from 132.6% to 114.6%.</p> <p>The achievement rates for each objective are detailed in the section of the Corporate Governance report dedicated to the compensation of the Corporate Officer.</p>
3) Complementary payments for retirement		<p>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.</p> <p>The board of directors ensured that the mechanism implemented was in line with shareholders' interests.</p>
Annual complementary fixed portion	EUR153,300	Accordingly, Mr. Babeau receives annually a complementary component, split into a fixed part and a variable part dependent on performance criteria. This variable part is aligned in terms of criteria and of rate (target rate of 100% of the fixed complementary part and variable part varying from 0 to 200%) of the annual variable part (see above).
Annual complementary variable portion	EUR175,682	<p>At the meeting held on February 13, 2019 the annual complementary variable portion for 2018 due to be paid after the annual shareholders' meeting if the latter approves it, was set by the board of directors at 114.6% of the annual complementary fixed portion, <i>i.e.</i> an achievement rate of 114.6% on a base 100.</p> <p>This calculation was broken down in the same way as that of the annual incentive presented in 2) above.</p> <p>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.</p>
4) Long-term incentive (Performance shares)	EUR425,802 for 7,800 performance shares according to IFRS valuation	7,800 performance shares were granted under plan no. 30 to Mr. Babeau in his capacity as Deputy CEO of Schneider Electric SE.

	Amounts submitted to the vote	Description
	EUR996,086 for 18,200 performance shares according to IFRS valuation	<p>18,200 performance shares were granted under plan no.31 to Mr. Babeau consideration for his specific technical and operational functions as head of the Group's Finance &amp; Legal Affairs.</p> <p>100% of these 26,000 performance shares are subject to performance criteria measured over a period of 3 years:</p> <ul style="list-style-type: none"> <li>• 40% of the shares are contingent on the level of achievement of an adjusted EBITA operating margin objective for 2018 to 2020 FY as follows: the Adjusted operational margin criterion is defined as the average of the annual rates of achievement under the criterion of Adjusted EBITA margin for financial years 2018 to 2020 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 2018, the board had decided that, if the Adjusted EBITA margin (organic) increased by at least +10 basis points before foreign exchange impact compared with 2017, 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 2018 would be 100% with a linear distribution between the 2 points;</li> <li>• 25% of the shares are conditional on Group Cash conversion rate for 2018 to 2020 FY. The target average rate ranges between 80% and 100% according to the 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;</li> <li>• 20% of the shares are contingent on the average of the performance rate of the new Schneider Sustainability Impact (2018-2020) against predefined targets at the end of each of the three years. For 2018, if this index is lower than or equal to 3.5, no shares will vest. If this index is equal to or higher than 5, 100% of the shares will vest. Distribution is linear between the 2 points;</li> <li>• 15% of the shares are conditional to relative Total Shareholder Return (TSR) objectives between 01.01.18 to 31.12.20. The TSR objective is set based on Schneider Electric's TSR ranking within the following panel of companies: ABB, Legrand, Siemens, Schneider Electric, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa, according to following scale: a ranking in first quartile (1st, 2nd, 3rd place) enables an achievement rate of up to 150%, with an average rate of 135% (this achievement rate will, on the one hand, enable 100 % achievement of the TSR criterion and, on the other hand, can offset, within the limit of 50% of the TSR criterion, non-achievement of the Adjusted EBITA target 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.</li> </ul> <p>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).</p> <p>These obligations are suspended insofar as Mr. Babeau holds Schneider Electric shares with a value representing twice his annual fixed compensation.</p> <p>The percentage of capital represented by Mr. Babeau's share allocation is 0.004%.</p> <p>Date of authorization by the Annual Shareholders' Meeting: April 25, 2016. Resolution number: 19th. Date of the award decision by the board of directors: March 26, 2018.</p>
5) Attendance fees	EUR0	Mr. Babeau has waived the attendance fees he would have been entitled to receive from directorships held in Group companies.
6) Other benefits	EUR8,815 EUR1,404  EUR8,598	<p>Mr. Babeau benefited from profit-sharing.</p> <p>Board authorization: February 14, 2018</p> <p>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 14, 2018.</p> <p>Mr. Babeau benefited from a company car.</p> <p>Board authorization: February 14, 2018</p>

## 1. Report of the board of directors to the ordinary and extraordinary shareholders' meeting

## II – Other elements of compensation, which were subject to the approval of the annual shareholders' meeting pursuant to regulated agreements

	Amounts submitted to the vote	Description
Termination benefit	EUR0	<p>Mr. Babeau is entitled to involuntary termination benefits in case of change of control or strategy and taking into account the non-compete compensation described below, amounting to twice the arithmetical average of his annual fixed and variable compensation (<i>i.e.</i> inclusive of compensation and complementary payments) paid over the last 3 years and authorized by the board of directors. (See Section 4-7 of the 2018 Registration Document).</p> <p>Board decisions of June 18-19, 2013 and February 18, 2015, reiterated on April 25, 2017 and February 14, 2018.</p> <p>Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (5<sup>th</sup> resolution).</p>
Non-compete compensation	EUR0	<p>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>i.e.</i> including annual complementary payments – fixed and target variable – over the last 12 months of service). (See Section 4-7 of the 2018 Registration Document).</p> <p>Board decisions of June 18-19, 2013 amended in October 24, 2013 and February 18, 2015, reiterated and amended on April 25, 2017 and February 14, 2018.</p> <p>Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (5<sup>th</sup> resolution).</p>
Supplementary pension scheme	N/A	
Supplementary Life & Disability scheme	EUR0	<p>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>i.e.</i> 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>i.e.</i> 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.</p> <p>(See Section 4-7 of the 2018 Registration Document).</p> <p>Board decision of February 18, 2015, reiterated on April 25, 2017 and February 14, 2018.</p> <p>Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (5<sup>th</sup> resolution).</p> <p>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.</p> <p>Board decisions of 2009, 2012, 2013 and 2015, reiterated on April 25, 2017 and February 14, 2018.</p> <p>Date of approval by the Annual Shareholders' Meeting: April 24, 2018 (5<sup>th</sup> resolution).</p>

### 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 2019 – Seventh and eighth resolutions

In pursuance of article L.225-37-2 of the French Commercial Code, you are requested to approve the principles and criteria governing the determination, allocation and granting of the remuneration and benefits of all types that may be granted to the corporate officers of the company on account of their mandates, i.e. the Chairman and CEO – currently Mr. Jean-Pascal Tricoire – and Deputy-CEO – currently Mr. Emmanuel Babeau – for the year 2019.

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 benefits forming part of the status of the Corporate Officers and separately approved under the regime of the regulated agreements.

In this respect, the remuneration submitted to your approval covers all the payments and benefits granted to corporate officers on account of their mandates in the company as well as of the other functions they may perform within the Group.

These components are presented, detailed and quantified in section 4.7 of the registration document. This section dedicated to the compensation of the group senior managers is part of the corporate governance report prescribed by article L. 225-37 of the French commercial code.

Based on the principles and criteria for determining, allocating and granting the components of the compensation and benefits of all types that may be awarded to the Chairman and CEO and to the Deputy-CEO for 2018 approved by the shareholders at the 2018 annual general meeting with more than 70% support, the board of directors decided on February 13, 2019, based on the works and recommendations of the Governance and remuneration committee, which as a reminder is composed of 80% of independent members as per AFEF/MEDEF Code:

- to continue to apply in 2019 the fundamental pillars which command the principles governing the compensation of the corporate officers. These pillars are: pay-for-performance, alignment with shareholders' interests, and competitiveness. The structure of the corporate officers' compensation results from these pillars, notably the overweight of variable components (75 to 80% of the total target compensation) and the proportion of approximately 50% of the target compensation granted in the form of performance shares;
- to maintain the base salaries of Messrs. Tricoire and Babeau at the levels set and approved for 2018;
- to maintain the maximum payable Annual Incentive in proportion of the base salary at, respectively, 260% for Mr. Tricoire and 200% for Mr. Babeau;
- to reduce from 8 to 4 the number of performance criteria which determine the amount of Annual Cash Incentive, out of which 80% are Financial and 20% Sustainability based, and exclusively use Group criteria (to the exclusion of individual criteria) that are measurable and communicated to the market, namely: Adj. EBITA margin (organic) improvement, Group Cash Conversion rate, Group Organic Sales Growth, Schneider Sustainability Impact;
- to maintain the conditions, modalities and volume of the performance share grants with no change, while amending the acquisition scale for shares based on the achievement of the Relative TSR performance in a manner that disallows acquisition of shares in case Schneider Electric is ranked 8th or below;
- to maintain the rule according to which no compensation which is not provided by the compensation policy already approved by the shareholders be paid to corporate officers.

The board also intends to remain transparent 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 to drive the new corporate officer's performance, depending upon his/her profile, or to consider an exceptional allowance in cash or in shares in order to compensate for loss of benefits that a candidate may experience.

In accordance with applicable law, the payment of any variable or exceptional cash component in relation to the exercise of their office by the Corporate Officers year in 2019 will be subject to your approval at the Annual Shareholders' Meeting following year-end 2019.

Under the **seventh resolution** you are requested to approve these principles and criteria for 2019 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 twelfth resolutions

We remind you that the terms of office of Ms. Betsy Atkins and Mr. Greg Spierkel are due to expire after the 2019 Annual Shareholders' Meeting.

At its meeting of February 13, 2019, the board of directors took note of the decision of:

- Ms. Betsy Atkins's decision not to present herself as a candidate for the renewal of her term of office,
- Mr. Antoine Gosset-Grainville's wish to put an end to his role as a director at the end of the next Annual Shareholders' Meeting.

The board of directors was keen to highlight the thanks that the Company owes these individuals who have actively contributed to the quality of the discussions held by the board during a period of strong development.

## 1. Report of the board of directors to the ordinary and extraordinary shareholders' meeting

The board of directors has unanimously decided, upon recommendation of its Governance and remunerations committee, to propose:

- the renewal of Mr. Greg Spierkel; and
- the appointments of Ms. Carolina Dybeck Happe, Ms. Xuezheng Ma and Mr. Lip-Bu Tan.

These recommendations are in line with the on-going refreshment plan of the board which aims at reinforcing the geographical diversity of its members, adding strong skills in the field of strategic challenges such as digital and at strengthening the deep knowledge of the Group's key markets.

Ms. Carolina Dybeck Happe, 46 years old, a Swedish citizen, joined A.P. Moller-Maersk A/S in January 2019 as Chief Financial Officer and Executive committee member. She has previously been pursuing her career with Assa Abloy AB, a company listed in Sweden, where she was appointed Executive Vice-president and Chief Financial Officer in 2012 after holding several positions as Chief Financial Officer of various geographical zones including Germany and the United Kingdom. Ms. Dybeck Happe has also served as a member of the supervisory board of E.ON since June 2016. She will bring to the board her finance and industry skills in sectors adjacent to that of Schneider Electric and her deep knowledge of the constraints and specificities of listed companies.

Ms. Carolina Dybeck Happe will qualify as an independent director with regard to all the criteria set by Article 8.5 of the AFEP/MEDEF corporate governance Code and will join the Audit & risks committee and the Investment committee.

Ms. Xuezheng Ma, also known as Mary, 66 years old, a Hong Kong Chinese citizen, co-founded Boyu Capital Advisory Co. Ltd. in 2011 and has been its Managing Partner since then. Prior to Boyu Capital, she was a Partner of TPG Capital and Co-Chairman of TPG China, a global private equity investment firm. She joined Lenovo Group in 1990 and was appointed Chief Financial Officer, Senior Vice President and Executive Director of the board, positions that she held from 1997 to 2007 before serving as non-Executive Vice-Chairman until 2013. She has been re-designated to be an Independent Non-Executive Director since 2013. Prior to Lenovo, she was Department Director of the Chinese Academy of Sciences for 12 years. She will bring to the board her extremely rich experience in financial and executive management, strong skills in the field of digital and an acute sense of how to tackle opportunities in Asian markets. Her presence will also contribute to the geographical diversity of the board.

Ms. Xuezheng Ma will qualify as an independent director with regard to all the criteria set by Article 8.5 of the AFEP/MEDEF corporate governance Code and will join the Audit & risks committee and the Digital committee.

Mr. Lip-Bu Tan joined the Schneider Electric board of directors as a non-voting member on October 24, 2018. Mr. Tan is currently CEO and board member of Cadence Design Systems, as well as Chairman of Walden International, a venture capital firm he founded in 1987. Prior to founding Walden, he was Vice-president of Chappell & Co. and held management positions at EDS Nuclear and ECHO Energy. He is bringing to the board a valuable contribution in terms of IT/Software and Technology expertise, notably in the field of energy, as well as strong venture capital & investment experience and a deep knowledge of Asian and US markets. In order to give to his new mandate as a board member of Schneider Electric the appropriate amount of time, Mr. Lip-Bu Tan decided to put an end to his board membership with Aquantia as of May 2019.

Mr. Lip-Bu Tan will qualify as an independent director with regard to all the criteria set by Article 8.5 of the AFEP/MEDEF corporate governance Code and will join the Investment committee and the Digital committee.

Mr. Greg Spierkel's and Mr. Lip-Bu Tan's biographies and their terms of office are provided on pages 216 and 217. Mr. Greg Spierkel is an independent director under AFEP/MEDEF corporate governance Code.

If you approve the proposals made in **ninth to twelfth resolutions**, the board of directors will comprise 14 members, 46% of women (directors representing employees excluded pursuant to the provisions of the French Commercial Code), 71.5% of foreign directors and 83% of independent directors (in accordance with AFEP/MEDEF corporate governance Code).

The board of directors considers that in addition to Mr. Jean-Pascal Tricoire, to Ms. Xiaoyun Ma, representing employee shareholders, and to Mr. Patrick Montier, representing employees, Mr. Willy Kissling does not have that status due to his long years of service on the board. The other directors are independent.

### **Determination of the amount of the directors' fee to be allocated to the board of directors – Thirteenth resolution**

In the **thirteenth resolution**, the board recommends increasing the maximum budget of directors' fee allocated to members of the board from EUR2,000,000 to EUR2,500,000.

This proposal to increase the amount of directors' fee aims at maintaining the compensation granted to board members at the current level, with no change in the allocation rules.

The increase of the number of meetings (board and committees) per person that resulted from the creation of one additional committee (*i.e.* the Digital committee), added to the fact that each member of the board (excluding the Chairman and CEO) is member of at least one committee, that almost 67% of them are members of 2 committees and that nearly one third are member of 3 committees, and also given that one additional board meeting was held in 2018, *i.e.* 9 meetings (vs. 8 in 2017), has led to a total paid directors' fee close to the maximum amount approved by the 2017 Annual General Meeting even though the amount paid by committee meeting had been reduced.

The current level of attendance fees cannot be reduced as long as Schneider Electric wishes to secure board members recognized for their most relevant and cutting-edge expertise worldwide.



The increase of the number of members in 2019 with one additional member should the proposals made in ninth to twelfth resolutions be approved, as well as the reinforcement of the geographic diversity leading to an increase of the compensation for intra-continental or inter-continental travel, make it necessary to increase the global authorization.

The proposed increase would allow the coverage of these factors and the potential appointment of a second director representing employees, with no modification of the allocation rules applicable to directors' fees.

### Share buybacks – Fourteenth resolution

We request that you renew the authorization given to the Company by the Annual Shareholders' Meeting of April 24, 2018, 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, as may be permitted under the regulations in force.

Shares bought back may be canceled under the authorization adopted by this Annual Shareholders' Meeting (twenty-fourth resolution).

We remind you that Schneider Electric, in accordance with the announcement made in 2017, targeted a cumulative buyback amount of EUR1 billion for the June 2017 – June 2019 period. These buybacks were part of a policy to neutralize the dilution resulting from capital increases reserved for employees or resulting from performance action plans and the exercise of options.

As part of the authorization granted at the Annual Shareholders' Meeting on April 24, 2018, and through implementation of the announced projects, Schneider Electric proceeded from April 25, 2018 to February 13, 2019 to a buyback of 10.7 million shares, for a total sum of EUR712.8 million. Since the beginning of the program, June 1, 2017, the Company bought back 14.8 million shares for Euro 1 billion and has completed the program.

Further information on the Company's share buyback programs can be found on page 361.

In the **fourteenth resolution**, you are requested to authorize the Company to buy back shares representing a maximum of 10% of the issued capital as of the date of the shareholders' meeting (for reference purposes, based on the issued capital on December 31, 2018: 57,916,876 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

### Delegations of authority to the board of directors to increase the capital with or without shareholders' preferential subscription rights – Fifteenth to twentieth resolutions

We submit to you the resolutions regarding the renewal of the existing delegations to increase 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 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 2019 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 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. 34.53% of 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 **fifteenth resolution**, you are requested to delegate to the board of directors the authority to issue, in France and abroad, with shareholders' preferential subscription rights, ordinary shares, and all other securities granting access to capital, such as convertible bonds or those reimbursable in shares, bonds with share subscription warrants, etc. Under the **sixteenth resolution**, you are also requested to grant the board of directors authorization to increase 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, 34.53% 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 **seventeenth 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 fifteenth resolution. In addition, pursuant to the fifteenth and seventeenth resolutions, the board of directors may issue shares entitling the holder to securities which may grant access to capital which would be issued, in agreement with the board of directors, by direct or indirect subsidiaries of Schneider Electric SE.

## 1. Report of the board of directors to the ordinary and extraordinary shareholders' meeting

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, 9.93% of capital. This amount is deducted from the ceiling with a par value of EUR800 million established in the fifteenth 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 **eighteenth 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 fifteenth and seventeenth 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 **nineteenth** authorizes the board of directors to issue ordinary shares or securities granting access to capital, up to the limit of 9.93% of the share capital, *i.e.* 57.5 million shares set in the seventeenth 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 **twentieth 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, 4.96% of 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 benefit from 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 twentieth 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 on the trading day 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.225-119 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 seventeenth 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.

### **Authorization to the board of directors to allocate free shares (issued or to be issued) to corporate officers and employees of the Company or of companies affiliated therewith, subject to performance conditions, as applicable, within the limit of 2% of the share capital, with waiver by shareholders of their subscription rights – Twenty-first resolution**

#### **Background to the authorization:**

The authorization to allocate free/performance shares was granted by the Combined Annual and Extraordinary Shareholders' Meeting of April 25, 2016 for a period of 38 months. It expires on June 24, 2019. This authorization enabled the free allocation, to date, of a total of 7.2 million shares (including the 2019 LTIP yet to be issued), representing potentially 1.2% of the share capital at December 31, 2018. Detailed information on the plans for free/performance shares allocated to date under this authorization can be found on pages 371 *et seq* of this registration document.

Given the importance of this deferred compensation mechanism (see page 249), you are requested to renew this authorization.

### Structure of the authorization:

#### (i) Dilution

- the total amount of shares allocated may not represent more than **2% of capital** over three years, subject to potential adjustments which may be applied in the event of a transaction involving the Company's share capital;
- the annual number of shares granted to the Company's corporate officers (the Chairman and CEO and the Deputy CEO) pursuant to this authorization may not exceed 0.03% of capital per year.

#### (ii) Characteristics

- **beneficiaries:** shares may be allocated to senior corporate officers, members of the Executive Committee, key managers of the Group in all countries, and to high-potential employees or to those whose performance is deemed remarkable;
- **vesting/holding period:** under long-term incentive plans, the vesting period may be no shorter than three years. It may be accompanied, or not, by a holding period;
- under long-term incentive plans, all shares allocated annually to corporate officers of the Company and to members of the Executive Committee will be subject to performance conditions. For other beneficiaries, the performance criteria will be applied to at least 70% of the shares granted. Due to the performance conditions, all or part of the performance shares granted may be canceled. For instance, 29% of shares subject to performance criteria of the 2015 long-term incentive plan were canceled due to the failure to meet these conditions and 8.54% for the 2016 long term incentive plan (see below).

Under the previous authorization approved by the shareholders on April 25, 2016 and currently in force, the performance criteria governing the benefit of shares subject to performance conditions are as follows:

- for 40% of the shares, a criterion depending upon the level of adjusted EBITA margin;
- for 25% of the shares, a criterion based upon the level of cash conversion by the Group;
- for 15% of the shares, a criterion measuring the relative performance of Schneider Electric in terms of TSR, based on Schneider Electric ranking within a panel composed of eleven peers from the same industry (ABB, Legrand and Siemens for Europe, Eaton, Emerson, Honeywell, Johnson Controls and Rockwell Automation for the United States and Fuji Electric, Mitsubishi Electric and Yokogawa for Asia);
- for 20%, an objective of increasing the "Planet & Society barometer" (now, the Schneider Sustainability Impact) which measures the progress of the Group with regard to environmental sustainability and social responsibility.

Since 2016, performance conditions are assessed over a period of three years instead of two years.

Detailed information on the plans for free/performance shares allocated to date under this authorization can be found on pages 371 *et seq* of this registration document.

### New performance criteria

Based on the report of the Human Resources & CSR and Governance & remunerations Committees, the board of directors decided to review the assessment of the long-term performance and to further strengthen the alignment with shareholders' long term interests. Accordingly, if you approve this resolution, the board will introduce six major changes:

- For all plans to be launched under this authorization, there shall be no overlapping with the criteria already used for the determination of the Annual Cash Incentive. As a result, the criteria based on Adjusted EBITA margin, cash conversion and Planet and Society barometer (now Schneider Sustainability Impact), would be replaced with new criteria;
- Among these new criteria, the board decided to introduce the use of the Adjusted EPS as performance indicator. The Adjusted EPS is already one of the KPIs communicated to the market and reflects the focus made on the creation of shareholder value;
- The number of criteria shall be reduced to 3;
- The weight of the shares allocated under the criterion of Relative TSR shall be multiplied by two and the TSR acquisition scale be made more stringent, with no vesting at ranks 8 and below in the bespoke peer group (with an anticipated application of this change in the 2019 LTIP to be issued);
- The TSR relative performance of Schneider Electric shall also be measured as compared to the performance of the companies in its own national reference index – the CAC40 – to reflect the macro-economic and stock-market specific trends which influence the performance of the share and in turn, the return to the shareholders;
- The long-term sustainability performance of the Group shall also be measured in terms of relative performance, through a combination of external indices which cover a range of environmental, social and governance indicators wider than and different from the Schneider Sustainability Impact. Using external indices will also ensure that the sustainability priorities governing the assessment of the long-term sustainability performance of the Group are at all times those which matter the most to the stakeholders.

The board will select 4 external indices, all widely recognized as objective, challenging, trustworthy and meaningful, such as DJSI World, Euronext Vigeo, FTSE4GOOD and CDP Carbon List. This combination is referred to herein as Relative Sustainability Index and shall determine 30% of the acquisition of the shares subject to performance conditions.

## 1. Report of the board of directors to the ordinary and extraordinary shareholders' meeting

As a result, if you support this resolution, the structure of the future long-term incentive plans issued under this authorization will be as follows:

- Structure and weighting of the performance criteria:
  - for 40%, the Adjusted EPS improvement, based on the Adjusted EPS communicated to the market;
  - for 30%, Relative TSR, split equally in two lots corresponding to two panels, both subject to stringent acquisition scales:
    - (i) 15% based on Schneider Electric's ranking compared to the bespoke competitors' peer group (ABB, Legrand, Siemens and Schneider Electric for Europe, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation for the United States and Fuji Electric, Mitsubishi Electric and Yokogawa for Asia), with an acquisition scale as follows: 150% for ranks 1 to 3, 100% at rank 4, 0% at rank 8 and below, linear between ranks 4 to 8. In order to limit impacts of short-term price volatility, TSR will be measured in euros for all companies in the panel;
    - (ii) 15% based on Schneider Electric's ranking compared to CAC40 companies, with an acquisition scale disallowing acquisition of shares below median: 0% below median, 50% at median (rank 20), 100% at rank 10, 120% in ranks 1 to 4, linear between these two points;
  - for 30%, the Relative Sustainability Index. Only leadership positions in the selected indices will entitle to 100% acquisition of shares.
- Offsetting for extra-performance: exceptional performance under the Relative TSR criteria may compensate for under-performance under the Adjusted EPS criterion up to the same number of shares. Cases of exceptional performance occur when Schneider Electric is ranked in the first quartile of the bespoke peer group (ranks 1 to 3) or the Top 10% of the CAC40 (ranks 1 to 4). This mechanism is used as a driver to deliver more long-term performance and returns to the shareholders;
- Target setting: whenever applicable, the targets will be in line with the objectives communicated at the beginning of the year to the market.
- Acquisition period: Performance will be measured over three years and shares will be acquired definitely at the end of a three-year period starting from the date of allocation (usually end of March). Shares won't be subject to an additional holding period, except for the plan reserved to the shares granted to the Corporate officers in consideration for their corporate office.

### (iii) Other characteristics

- The corporate officers are bound by obligations to retain their shares, which are presented on pages 365 *et seq.*
- In accordance with the provisions of the French Commercial Code, it is the responsibility of the board of directors to determine the identity of beneficiaries of the allocations, as well as the conditions and, where appropriate, the criteria for allocation of shares.
- Since the shares that may be so allocated may be shares to be issued, the authorization involves the waiver by shareholders of their preferential subscription right to free shares to be issued.
- All other modalities relating to the acquisition and keeping of the performance shares shall be defined by the board and reported in the Rules of the plans.
- Authorization is granted for a period of 38 months.

### Capital increases reserved for employees with cancellation of preferential subscription rights of shareholders – Twenty-second and twenty-third 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, 2018, employees were holding 4.3% of the capital.

We remind you that the sixteenth and the seventeenth resolutions of the Annual Shareholders' Meeting of April 24, 2018, authorized the board of directors to issue shares reserved for employees participating in the Company Savings 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 12, 2018, the board of directors decided to renew the annual employee shareholder plan in 2019, within a limit of 3.7 million shares (approximately 0.64% of the capital). This plan, which will not include a leveraged offer, will be offered in 39 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% or 30% if permitted by law) to all subscribers and a maximum employer contribution of EUR1,400.

The Company carried out capital increases reserved for Group employees in 2018 (WESOP 2018). These transactions are presented on page 363 of this registration document.

To allow for the implementation of a new global employee share ownership plan in 2020, you are requested to renew these authorizations under the same conditions.

Such is the purpose of the twenty-second and twenty-third resolutions.

Under the **twenty-second resolution**, you are requested to grant the board of directors the authority to carry out capital increases reserved for employees participating in the Company Savings Plan within the limit of 2% of the Company's capital, with the provision that the maximum discount at which the shares could be offered is set at 20% (or 30% if permitted by law).

This authority requires shareholders to waive their preferential subscription right in favor of members of the Company Savings Plan. It is valid for a period of 26 months; the authority in force as voted by the Annual Shareholders' Meeting of April 24, 2018 in its sixteenth resolution shall cease to be effective as from June 30, 2019.

The maximum nominal amount of capital increases carried out on the basis of the twenty-second resolution will be deducted from the ceilings outlined in the fifteenth and seventeenth resolutions of this Annual Shareholders' Meeting.

Under the **twenty-third resolution**, we request that you renew the authorization to carry out capital increases reserved for employees and Corporate Officers 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 Company Savings 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-second resolution of this Annual Shareholders' Meeting. A maximum discount of 20% (or 30% if permitted by a change in law as part of the twenty-second resolution of this Annual Shareholding Meeting) 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-second resolution.

This authorization is valid for a period of 18 months and may only be used on or after August 1, 2019. As from August 1, 2019, it shall supersede the existing authorization granted in the seventeenth resolution adopted by the Annual Shareholders' Meeting of April 24, 2018 for the amounts remaining unused at July 31, 2019.

**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-fourth resolution**

Under the **twenty-fourth resolution**, we request that you 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 this authorization, which is to expire on April 24, 2019, has been used by the board of directors, at its meeting of February 14, 2018, to proceed with the cancellation of 22,000,000 treasury shares, representing 3.69% of the share capital as of December 31, 2017. Further to this cancellation, the Company held 17,349,507 of treasury shares, representing 3.02% of the share capital as of December 31, 2017 after capital reduction.

Finally, under the **twenty-fifth resolution** we request that you grant us the powers necessary to carry out the formalities.

## 2. Report of the Vice-Chairman independent lead director of the board of directors (for the period January-December 2018)

# 2. Report of the Vice-Chairman independent lead director of the board of directors

Mr. Leo Apotheker hereby reports on the work he carried out in 2018 as part of his administrative functions as Vice-Chairman independent lead director.

At the Annual Shareholders' Meeting of April 25, 2016 where Mr. Leo Apotheker was re-elected as director, the board of directors appointed him as Vice-Chairman independent lead director for the term of his office.

### 1. Powers of the Vice-Chairman independent lead director

The Vice-Chairman independent lead director is appointed by the board of directors in pursuance of article 12 of the Articles of Association, 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 Articles of Association, the duties of the Vice-Chairman lead director are defined by the internal regulations of the board of directors. Those internal regulations and the charter for the Vice-Chairman independent lead director can be found on pages 397 to 405 of the Registration Document. They are also published on the Company's website, [www.schneider-electric.com](http://www.schneider-electric.com).

### 2. Activities of the Vice-Chairman independent lead director

#### Information of the Vice-Chairman independent lead director

To be able to carry out his duties, the Vice-Chairman lead director must have excellent knowledge of the Group and be particularly well informed about its business performance.

As such, the Vice-Chairman is apprised of current events and the performance of the Group through weekly exchanges with the Chairman and CEO. He meets regularly all members of the Group Executive Committee.

The Vice-Chairman has also pursued his regular interactions with managers and other employees of the Group as well as visits to various entities. He is continuously 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 present at the meetings of the Investment committee.

#### Participation in the preparation of the meetings of the board

The Vice-Chairman lead director participated in the preparation for meetings of the board of directors. As a result, he has participated in all the "pre-Board" meetings. As a matter of fact, each meeting of the board of directors is preceded by two pre-Board meetings, in which the Chairman, the Vice-Chairman lead director, the Deputy Chief Executive Officer and the Secretary of the board of directors review the topics and issues addressed by the committees, and establish the agenda prepared by the Chairman and the content of the meeting file.

#### Executive sessions

The Vice-Chairman lead director chairs the executive sessions (ie. the meetings where Board members meet without the presence of the two executive Corporate Officers), now convened at the end of each Board meeting. The employee directors have attended all executive sessions following meetings of the Board at which they were present.

The board of directors held four executive sessions in 2018 during which its members expressed their views and observations on the unification of the functions of Chairman and Chief Executive Officer, on the proposed strategic options and on the Corporate Officers' compensation. They also discussed about the succession plan for Corporate Officers.

The Vice-Chairman lead director reported the conclusions thereof to the Chairman.

#### Interaction with shareholders

The Vice-Chairman lead director is the designated contact for the shareholders on matters pertaining to corporate governance. He carried out two shareholder engagement campaigns in 2018: one before the shareholders' meeting to present to those who so wished, the resolutions submitted to the shareholders' approval on April 24, 2018; the other one, in the fall semester, to freely exchange views on topical themes of corporate governance that do not materialize in resolutions submitted to the shareholders' approval and thus, are excluded from the usual dialog.

Overall, these two campaigns comprised 29 face-to-face or phone meetings with analysts from a wide range of corporate governance cultures and covered around 36% of the share capital. The conclusions of these discussions have been reported in detail to the Governance and remunerations Committee and contributed to its on-going thought process on governance matters. Report thereon was subsequently made to the board.

#### Other duties

The Vice-Chairman independent lead director conducted the annual deliberation of the board on its composition, organization and operations as well as those of its committees, with the assistance of the secretary of the board of directors. In 2018, this self-assessment was carried out in the form through an anonymous on-line survey. The conclusions of this assessment, which highlighted the quest for continuous improvement, are presented on page 226 of this Registration Document.

The Vice-Chairman lead director has also had frequent contacts with each of the directors. He ensured that there was no conflict of interest within the board of directors, which he would have been responsible for bringing to the attention of the Chairman.

### 3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-Chairman independent lead director

## 3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-Chairman independent lead director

### 3.1: Internal regulations of the board of directors of Schneider Electric SE

Schneider Electric refers to the AFEP/MEDEF corporate governance code.

The present internal regulations have been drawn up in application of Article 13.7 of the company's articles of association.

These regulations were adopted by the board of directors on April 25, 2013 and last amended on December 12, 2018.

#### Article 1 – Method of exercising general management – chairmanship and vice-chairmanship of the board of directors

##### A. Method of exercising general management

1. General management of the company is under the responsibility of either the chairperson of the board of directors, who will then go by the title of Chairman and Chief Executive Officer, or of another natural person appointed by the board of directors going by the title of Chief Executive Officer.
2. The board of directors decides between these two methods of exercising general management at the time when the chairman of the board of directors or the chief executive officer is appointed or when renewing their terms of office. If the board of directors has decided to combine the functions of chairman and chief executive officer, it will deliberate on this choice every year.
3. In order to maintain continuity in the company's operation if the chairman serving as CEO leaves his role or is prevented from doing so, the deputy CEO(s) shall take the interim responsibility for general management functions in the company, unless otherwise decided by the board, until such time as a new CEO is appointed. The vice-chairman shall temporarily take the Chair of the board of directors.

##### B. Chairperson of the board of directors

1. The board of directors shall elect a chairperson amongst its members ("chairman"). The chairman shall be appointed for a period that can be no longer than his/her term of office as a director. The chairman is eligible for re-election. He/she may be removed from office by the board of directors at any time.
2. The chairman of the board of directors organizes and manages the board's activities, and reports thereon at the annual general shareholders meeting.
3. The chairman of the board of directors sets the agenda and the schedule for board meetings with assistance from the vice-chairman lead director.
4. The chairman of the board of directors ensures that the different corporate bodies operate correctly and especially that the directors are in a position to fulfill their mission. The chairman may request any document or item of information useful to enlighten the board of directors when preparing its meetings.

##### C. Vice-Chairman of the board of directors – lead independent director

1. The board of directors may appoint a vice-chairman. The vice-chairman shall be appointed for a period that may not be any longer than his term of office as a director. The vice-chairman is eligible for re-election. The vice-chairman may be removed from office by the board of directors at any time.
2. The vice-chairman shall preside over board meetings in the absence of the chairman.  
The vice-chairman shall be called upon to replace the chairman of the board of directors in the event of any temporary inability of the latter to fulfill his/her functions or in the event of death. In the event of the chairman's inability to fulfill his/her functions, he/she will be replaced by the vice-chairman as long as his/her inability may last and, in the case of death, until the election of a new chairman.
3. In exception to 1 above, and in compliance with Article 12.2 of the articles of association, the appointment of a vice-chairman is compulsory if the roles of chairman and CEO are combined. In this case, the vice-chairman also takes on the role of lead independent director. In this respect:
  - The vice-chairman is kept informed of major events in Group life through regular contacts and monthly meetings with the chairman serving as CEO;
  - The vice-chairman is consulted by the chairman serving as CEO on the agenda and the sequence of events for every board meeting as well as on the schedule for board meetings;

### 3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-Chairman independent lead director

- At the end of every board meeting, the vice-chairman convenes executive sessions with non-executive members of the board of directors, over which he will preside. It is the vice-chairman's responsibility to appreciate for each topic discussed whether the employee directors should leave the meeting till the topic is closed. In addition, the vice-chairman may convene an executive session between two board meetings. Any director may ask the vice-chairman to convene additional executive sessions;
  - The vice-chairman shall promptly report to the chairman serving as CEO on the conclusions of executive sessions;
  - The vice-chairman shall draw the attention of the chairman and of the board of directors to any possible conflicts of interest that he may have identified or which may be reported to him;
  - The vice-chairman is the chairperson of the Governance and 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 activities;
  - The vice-chairman shall report on his actions at annual general shareholders meetings;
  - The vice-chairman shall meet any shareholder who wishes so and inform the board of their concerns on governance matters.
4. The vice-chairman lead director must be an independent member of the board, as defined in accordance with the criteria published by the company.

### Article 2 – Roles and powers of the board of directors

1. The board of directors shall determine company business policies in accordance with its social interest and while considering its social and environmental aspects, 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.

The board regularly reviews, in relation to the strategy it has defined, the opportunities and risks, such as financial, legal, operational, social and environmental risks, as well as the measures taken accordingly. To this end, the board of directors receives all of the information needed to carry out its task, notably from the executive corporate officers (Chief Executive Officer, deputy Chief Executive Officers).

The board ascertains the implementation of a process aimed at preventing and detecting corruption and influence peddling. It receives all of the information required for this purpose.

The board also checks that the executive corporate officers implement a policy of non-discrimination and diversity, notably with regard to the balanced representation of men and women on the governing bodies.

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 as well as to set their remuneration and the benefits granted to them;
  - Co-opt directors whenever necessary;
  - Convene annual general shareholders meetings;
  - Approve corporate and consolidated accounts;
  - Draw up management reports and reports for annual general shareholders meetings;
  - Draw up management planning documents and the corresponding reports;
  - Draw up the corporate governance report as provided for in Article L.225-37 of the French Commercial Code;
  - Decide on the use of the delegations of authority granted at annual general shareholders meetings, more particularly for increasing company capital, redeeming the company's own shares, carrying out employee shareholding operations and cancelling shares;
  - Authorize the issue of bonds;
  - Decide on the handing out of options or restricted/performance shares within the limits of authorizations given at annual general shareholders meetings;
  - Authorize statutory conventions (conventions covered by Article L.225-38 and following of the Commercial Code);
  - Authorize the issue of sureties, endorsements and guarantees;
  - Decide on the constitution of study committees and designate their members;
  - Decide on the dates for the payment of dividends and any possible down-payments on dividends;
  - Distribute directors' fees allocated at the annual general shareholders meeting amongst members of the board of directors.

In compliance with the provisions set forth in the Commercial Code, the board of directors delegates all powers to the chairman serving as CEO (or the CEO if appropriate):

- For issuing, with the possibility of sub-delegating, sureties, endorsements or guarantees within a maximum annual sum of 500 million euros, limited per surety, endorsement or guarantee to:
  - (i) EUR150 million for commitment guarantees made by Group subsidiaries for Group financial optimization operations,
  - (ii) EUR250 million for commitment guarantees made by Group subsidiaries, for taking over the company's commitments whenever acquisition operations are made on companies or business activities,
  - (iii) EUR100 million for other guarantees.

The above limits are not applicable to any sureties, endorsements and guarantees that may be issued with regard to tax or customs authorities;



- For formally recording any increases in capital following conversions of convertible bonds, exercising warrants and stock options, as well as subscribing to capital securities or shares giving access to company capital in the context of increases in capital reserved for employees and carrying out all prior and subsequent formalities related to any such changes in capital and to any modifications to the articles of association.
3. To enable the board to exercise its duties as defined in 1 and beyond its specific powers summarized in 2, the board of directors:
- Shall be informed by its chairman or by its committees of any significant event concerning the company's efficient operation as well as the successful conclusions of any significant projects;
  - Shall give prior authorization for:
    - All disposals or acquisitions of holdings or assets by the company or by a Group company for a sum of more than 250 million euros,
    - Concluding any strategic partnership agreement;
  - Shall review every year its composition, its organization and its mode of operation;
  - Shall be consulted prior to acceptance by the chief executive officer or deputy chief executive officers of any corporate appointment in a listed company outside the Group;
  - Shall be informed about market developments, competitive environment and the most important challenges the company has to face, including in the area of social and environmental responsibility.
4. The activities of the board of directors and its committees shall be described in the corporate governance report.

### Article 3 – Membership of the board of directors

In the proposals it makes and the decisions it takes, the board of directors shall ensure:

- That it reflects the international nature of the Group's activities and of its shareholders by having a significant number of members of non-French nationality;
- That it protects the independence of the board through the competence, availability and courage of its members;
- That it pursues its objective of diversifying the board of directors in compliance with the legal principle of attaining balanced representation between men and women on the board;
- That it appoints persons with the expertise required for developing and implementing the Group strategy while considering the objectives of diversity based on criteria such as age, professional skills and experiences;
- That employee shareholders and employees shall continue to be represented on the board in compliance with the provisions set forth in Articles 11.3 and 11.4 of the articles of association;
- That it preserves the continuity of the board by changing some of its members at regular intervals, if necessary by anticipating the expiry of members' terms of office.

### Article 4 – Meetings of the board of directors

1. The board of directors shall meet whenever the interests of the company so require and at the least six times a year, including one meeting for examining strategy in detail.

Notices to attend shall be issued by all means, including verbally. They shall be sent via the secretary of the board.

2. Board meetings shall be convened by the chairman or, if such person is unable to do so, by the vice-chairman.

Moreover, if no board meeting takes place for over two months, the chairman must convene a meeting of the board at a date no later than fifteen days after at least one-third of the members of the board have made a justified request for this purpose. If the request goes unheeded, the person or persons requesting the meeting may convene a meeting himself or themselves, stating the agenda of the proposed meeting.

Similarly, the chief executive officer, if he is not chairman of the board of directors may also address a request to the chairman to convene a meeting on any given agenda.

The person responsible for convening the meeting shall set its agenda. The agenda may be modified or completed at the time of the meeting.

Board meetings shall be held at the company's registered offices or at any other place specified in the notice of the meeting, whether in France or abroad.

3. Any member of the board may appoint another member to represent him at a board meeting by means of a proxy form.

During the same meeting, each member of the board may only use one proxy form that he has received further to the foregoing paragraph.

Members of the board may attend board meetings by videoconference or telecommunication links, which allow them to be identified and which guarantee their effective participation. In such a case, they are counted among the members present to the meeting. However, in accordance with applicable laws, for the purposes of checking and controlling annual accounts, consolidated accounts and the management report, the members of the board of directors who attend the meeting by videoconference or telecommunication links shall not be taken into account for the purposes of determining the quorum or the majority.

### 3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-Chairman independent lead director

Deliberations of the board of directors shall only be valid if at least half of the directors are present. However, in application of Article 15 of the articles of association, the board of directors may only deliberate validly on the methods for exercising general management if two-thirds of the directors are present or represented.

Decisions shall be taken on a majority vote by the directors present or represented. In the event of equality of votes, the chairman of the meeting shall have the casting vote.

4. Besides the secretary of the board, the deputy CEO in charge of finance shall attend board meetings.

The board of directors shall hear operational managers concerned by major issues submitted to examination by the board.

The board of directors may authorize persons who are not members of the board to attend board meetings including by videoconference or by telecommunication links.

5. An attendance register shall be kept at the registered office.

The proceedings of the board of directors shall be recorded in minutes.

The secretary of the board shall be authorized to certify copies or excerpts from the minutes of the board's proceedings.

### Article 5 – Information for the board of directors

Members of the board of directors shall be provided with all the information necessary to enable them to carry out their duties and this within time limits that enable them to familiarize themselves with this information in a meaningful way. They may procure any documents they require for this purpose prior to meetings.

Any request for information made by members of the board on specific subjects shall be addressed to the chairman serving as CEO (and, if appropriate, to the CEO), who will reply thereto as promptly as possible.

In order to provide members of the board of directors with complete information, visits to sites and customers shall be organized for them. Members of the board of directors shall have the right to meet the main company executives. They shall inform the chairman serving as CEO (and, if appropriate, the CEO) thereof.

The chairman serving as CEO shall meet each member of the board individually once a year.

### Article 6 – The status of members of the board of directors

1. Members of the board of directors shall represent all the shareholders and shall act in the interests of the company in all circumstances.

2. Members of the board of directors shall attend board meetings and meetings of the committees of which they are members.

Any member, who has not attended at least half of the meetings held during the year, unless there are exceptional reasons, shall be deemed to wish to terminate his term of office and shall be invited to resign from the board of directors or the committee concerned, as appropriate.

3. Members of the board of directors shall be bound by a general confidentiality obligation with respect to the deliberations of the board and the committees and with respect to information which is not in the public domain, which they receive further to performing their duties.

4. Directors may not exercise more than 4 other terms of office in listed companies outside the Group.

5. Members of the board of directors shall have a duty to inform the board of directors of any office they may hold or no longer hold in other companies.

6. Members of the board of directors have a permanent duty to ensure that their personal situation shall not give rise to a conflict of interest with the company. In this respect, they shall disclose:

- the existence of any conflict of interest, even a potential one, upon assuming their duties and then each year in response to a request made by the company at the time of preparation of its Registration Document;
- upon occurrence of any event which would render the statement above mentioned totally or partially inaccurate.

Any member of the board of directors having a conflict of interest, even a potential one, has a duty to notify it to the vice-chairman lead director who shall in turn inform the board of directors. The board of directors shall rule upon the conflict of interest and may request to the member(s) of the board of directors concerned to correct his/her situation. The member of the board of directors having a conflict of interest, even a potential one, shall not take part to the discussions nor to the vote of the corresponding decision and shall leave the meeting of the board of directors when the decision is debated.

7. During their term of office, members of the board of directors, to the exclusion of the directors representing employees, shall possess at least 1,000 shares in Schneider Electric SE. For applying this obligation, except for the 250 shares which must be held to comply with Article 11.1 of the articles of association, shares held via a company mutual fund essentially invested in the company shares can be taken into account. The Schneider Electric shares that they hold shall either be in purely registered (*nominatif pur*) or in managed registered (*administré*) form.

8. Members of the board of directors shall inform the French financial market authority within three business days from the completion of the operation, by e-mail at the following address: <https://onde.amf-france.org/RemiseInformationEmetteur/Client/PTRemiseInformationEmetteur.aspx>, as well as the secretary of the board, of any acquisition, sale, subscription or exchange concerning shares issued by Schneider Electric SE or any operation on financial instruments linked thereto, conducted on their own account or on their behalf.
- 8A. Members of the board of directors shall provide the secretary of the board with the list of the persons closely associated with them as defined by the European Regulation n°596/2014 ("Market Abuse Regulation"), whom they shall notify of their individual duties to inform the French financial market authority and Schneider Electric SE (to the attention of the secretary of the board), similar to those applicable to themselves pursuant to paragraph 8 above.
9. Members of the board of directors undertake to abide by the compliance code governing stock-market ethics, of which they have received a copy, with respect to their personal financial transactions. In consequence, members of the board of directors may not acquire or dispose of options or any other derivative relating to Schneider Electric SE shares, except authorized hedging of stock-options plans in order to hedge stock option plans (eg: hedging of shares subscribed upon exercise of options).

Members of the board of directors shall refrain from carrying out any transaction involving company's listed shares during the 31 days before the day following publication of annual or half-yearly accounts, and during the 16-day period before the day following publication of quarterly information. The same principle applies when they hold insider information, i.e. precise information concerning the company, which has not been made public and which, if it were made public, could have a marked impact on share price or on any financial instrument related to them.

10. Members of the board of directors shall attend annual general shareholders meetings.
11. Members of the board of directors shall be remunerated by the payment of directors' fees allocated at annual general shareholders meetings. The said amount will be distributed by the board of directors to its members.

Missions entrusted to the vice-chairman shall give rise to exceptional remuneration under the regime of the regulated agreements.

12. Traveling expenses, notably including hotel and restaurant expenses, incurred by the members of the board of directors in relation to the performance of their duties, shall be borne by the company on presentation of supporting documents.
13. Members of the board of directors shall complete the on-boarding programme offered to them at the beginning of their first term.

## Article 7 – Non-voting directors

The non-voting directors shall attend board meetings in a consultative capacity.

They shall receive the same information as the other members of the board. They may be appointed as members of committees, except for the Audit committee.

They shall act in the interest of the company under all circumstances.

They shall be bound by the same general confidentiality obligation as the members of the board of directors and shall be subject to the same limitations regarding transactions involving the company's shares. Their remuneration shall be determined by the board of directors.

## Article 8 – The committees of the board of directors

1. The committees created by the board of directors shall be as follows:
- Governance and remuneration committee,
  - Audit and risks committee,
  - Human Resources and Corporate Social Responsibility committee,
  - Investment committee,
  - Digital committee.
2. The role of these committees shall be to research and prepare certain matters to be considered by the board of directors. They shall make proposals, give recommendations and issue opinions, as appropriate, in their area of competence.

Created by virtue of Article 13 of the articles of association, they shall only have a consultative role and shall act under the authority of the board of directors.

3. The chairpersons and members of the committees shall be appointed by the board of directors. However, the vice-chairman lead director shall preside over the Governance and remuneration committee. They shall be appointed in a personal capacity and may not be represented.

The terms of office of committee members shall coincide with their terms of office as members of the board of directors. The terms of office of committee members may be renewed.

### **3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-Chairman independent lead director**

As a matter of good governance and to the exclusion of the Governance and remuneration committee chaired by the vice-chairman lead director, committee chairs should be rotated and not exceed four years for a given committee. The board of directors shall deliberate annually on the chairmanship of the concerned committee whenever such four-year limit is reached or exceeded.

4. Committees shall meet on the initiative of their chairperson or on request from the chairman of the board of directors or the CEO.
5. The chairman serving as CEO or the CEO shall be kept informed of committee meetings. He/she shall be in regular contact with committee chairmen.
6. Committee meetings shall be held at the company's registered offices or any other place decided upon by the chairperson of the committee with an agenda prepared by the latter. If necessary they may be held by audio or video conference.

Members of the board of directors may attend meetings of committees of which they are not a member. Only the members of the committee shall take part in the committee's discussions.

A secretary will prepare the minutes of the meetings, which shall be recorded in an ad hoc register specific to each committee by the secretary of the board.

A report on each committee's activities shall be given by the committee's chairperson or one of its members at the next board meeting. Minutes of committee meetings shall be provided for the members of the board of directors.

After referring the matter to the chairman of the board, every committee may request studies from external consultants. Every committee may invite any person of its choice to its meetings, as and when required.

7. Other than the permanent specialist committees that it has created, the board of directors may also decide to set up any *ad hoc* committees for specific operations or assignments.

## **Article 9 – The Audit and Risks committee**

### **1. Membership and operation of the Audit committee**

The committee shall be comprised of at least three members, two-thirds of whom must be independent members of the board of directors. At least one of the members must possess special skills concerning matters of finance and accountancy and be independent with regard to specified, published criteria.

The deputy CEO in charge of finance shall act as the Audit committee's contact.

The head of internal audit shall act as secretary to the Audit committee.

The committee shall meet at least five times a year. The chairperson of the committee shall draw up agendas for meetings.

The meetings shall be attended by members of the finance department and of the company's internal audit department and, with respect to meetings devoted to examining accounts, by the statutory auditors. The committee may invite any person it wishes to hear to its meetings. It may also require the CEO to provide any documents it deems to be useful.

Outside the presence of company representatives, the committee shall regularly hear the statutory auditors and the head of the internal audit.

### **2. The duties of the Audit committee**

The Audit Committee monitors questions on drawing up and controlling accounting, financial and extra-financial information. It prepares the board of directors' decisions in these domains. It issues recommendations to the board for the purpose of ensuring the integrity of the financial and extra-financial information and gives advices. For this purpose:

- It shall prepare for annual and half-yearly accounts to be approved by the board and therefore, more particularly:
  - Checks the appropriateness and consistency of the accounting methods used for drawing up consolidated and corporate accounts, as well as checking that significant operations on Group level have been dealt with appropriately and that rules relating to the consolidation perimeter have been complied with;
  - Examines off-balance-sheet risks, including those of a social and environmental nature, and commitments as well as the cash situation;
  - Examines the process for drawing up financial and extra-financial information.
- It examines the draft annual report, which bears the status of registration document and contains the information on internal control, the draft half-yearly report and, where applicable, any remarks made by the French Financial Market Authority (AMF) concerning these reports, as well as the other key financial information documents.
- It handles follow-up on legal control of annual and consolidated accounts made by statutory auditors, notably by examining the external audit plan and results of controls made by statutory auditors.
- After a consultation process, it shall suggest reappointing the existing statutory auditors or appointing new statutory auditors.
- It shall check the independence of statutory auditors, especially at the time of examining fees paid by the Group to their firm or their network, and by giving prior approval to any missions that are not strictly included in the scope of the statutory audit.
- It monitors the efficiency of internal control and risk management systems. For this purpose:
  - It shall examine the organization and resources used for internal audit, as well as its annual work program. It shall receive summaries of reports produced on audits on a quarterly basis. However, the chairperson of the committee shall receive these reports in full;

- The committee shall examine operational risk-mapping and make sure that measures exist for preventing or minimizing risks;
- It shall examine how to optimize risk coverage on the basis of reports requested from internal audit;
- It shall examine Group internal control measures and look into the results of entities' self-assessments with respect to internal control. It shall ensure that a relevant process exists for identifying and processing incidents and anomalies;
- It shall ascertain the existence of Group compliance policies notably concerning competition, anti-bribery, ethics and data protection and the measures implemented to ensure that these policies are circulated and applied.

The Audit committee shall examine proposals for distribution as well as the amount of financial authorizations submitted for approval at annual general shareholders meetings.

The Audit committee shall examine all financial and accounting questions and questions related to risk-management submitted to it by the board of directors.

The Audit committee reports to the board on the findings of its works and how they contributed to the integrity of the financial and extra-financial information. It informs the board of the follow-up actions that it proposes to take. The chairperson of the Audit Committee shall keep the chairman and the vice-chairman lead director promptly informed of any difficulties encountered by the committee.

## Article 10 – Governance and remuneration committee

### 1. Membership and operation of the Governance and remuneration committee

The committee shall be comprised of at least three members.

The Governance and remuneration committee shall be presided by the vice-chairman lead director. Failing this, the board shall appoint the chairperson 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 chairperson. The agenda shall be drawn up by the chairperson of the committee after consultation with the chairman of the board of directors. The committee shall meet at least three times a year.

In order to carry out its assignments, the committee may hear any person it wishes.

### 2. The Governance and 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,
- Chairpersons and members of committees;

**(ii)** For general management of the company. The committee will also give its opinion to the board on nominations for any deputy CEO's.

The committee shall formulate proposals to the board of directors on the principles and criteria governing the compensation attributable to executive corporate officers (chairman of the board of directors and/or CEO, deputy CEO), on the compensation granted to them in accordance with these principles, on the amount of any options or shares attributed to them, and on the benefits of any kind granted to them. To this end, it uses the works of the Human Resources and CSR committee. The committee prepares annual assessments of the persons concerned.

The committee shall propose measures to the board of directors that will reassure both shareholders and the market that the board of directors carries out its duties with all necessary independence and objectivity. For this purpose, it will organize for yearly assessments to be made of the board of directors. It shall make proposals to the board of directors on:

- Determining and reviewing directors' independence criteria and directors' qualifications with regard to these criteria;
- Missions carried out by the committees of the board of directors;
- The evolution, organization and operation of the board of directors;
- The company's use of national and international corporate governance practices;
- The total value of directors' fees proposed at annual general shareholders meetings together with their allocation amongst members of the board of directors.

## Article 11 – Human Resources and Corporate Social Responsibility committee

### 1. Membership and operation of the Human Resources and Corporate Social Responsibility Committee

The committee shall be comprised of at least three members.

The director of Human Resources for the Group shall be the secretary to the Human Resources and Corporate Social Responsibility committee.

The committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the committee after consultation with the chairman serving as CEO. The committee shall meet at least three times a year.

In order to carry out its assignments, the committee may hear any person it wishes.

### 3. Exhibits to the board of directors' report: internal regulations of the board and charter of the Vice-Chairman independent lead director

#### 2. The committee's duties:

The committee shall formulate proposals to the board of directors on setting up share subscription / purchase options plans and free/performance shares plans.

The committee shall formulate projects on proposals made by general management on:

- Compensation of the members of the executive committee.
- Principles and criteria for determining the compensation of Group executives.

The committee shall be informed of any nomination of members of the executive committee and of the main Group executives.

It shall examine succession plans for key Group executives.

The committee shall prepare the board of directors' deliberations on (i) expansion of employee shareholding, (ii) review by the board on social and financial impacts of major re-organization projects and major human resource policies, (iii) monitoring risks management in relation to human resources and (iv) examining the different aspects of the "CSR" Group policy.

### Article 12 – Investment Committee

#### 1. Membership and operation of the Investment committee

The committee shall be comprised of at least three members.

The director of Group Strategy will be secretary to the Investment committee.

The committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the committee after consultation with the chairman serving as CEO. The committee shall meet at least three times a year.

In order to carry out its assignments, the committee may hear any person it wishes and call upon the Group M&A director.

#### 2. The Investment committee's duties:

The committee prepares the board of directors' deliberations on investment policy.

To this purpose, the committee:

- Shall elaborate recommendations for the board on major capital deployment decisions;
- Shall advise the management team on capital deployment strategies;
- May launch, at the board's request, or suggest research projects leading to material investments for the company, typically for capital deployment decisions of €250million or above;
- May investigate matters of smaller scale, if the strategic significance warrants it or the board/chairman of the board specifically requires it;
- Shall provide recommendations on major merger, alliances and acquisition projects;
- Shall pay special attention to reconfiguration or consolidation scenarios happening in the sectors the company is operating in or likely to operate in;
- Shall examine portfolio optimizations and divestment projects of financial or strategic significance;
- Shall support the management in the elaboration of investment policies linked to the long-term positioning of Schneider Electric, such as innovation and R&D strategies or any major organic growth investments;
- Shall present to the board social and environmental aspects of the strategic projects submitted to it such as M&A projects.

### Article 13 – Digital Committee

#### 1. Membership and operation of the Digital committee

The committee shall be comprised of at least 3 members.

The Chief Digital Officer or the Chief Information Officer will be secretary to the Digital committee.

The committee shall meet at the initiative of its chairperson. The agenda shall be drawn up by the chairperson of the committee after consulting with the chairman & CEO. The committee shall meet at least three times a year, including a joint review on Cyber-security risks with the Audit and risk committee.

In order to carry out its assignments, the committee may hear any person it wishes.

#### 2. The Digital committee's duties

The purpose of the Digital committee is to assist the board in digital matters in order to guide, support and control the Group in its digitization efforts. The Digital committee prepares the board of directors' deliberations on digital matters.

For this purpose, the Digital Committee will review, appraise and follow-up projects and, generally, advise, inter alia on 7 areas:

1. Development and growth of the EcoStruxure digital business, including (i) enhancing Core Businesses with Connectivity & Analytics, (ii) building new digital offers & business models, (iii) establishing its contribution to and consistency with the overall strategy;
2. Improvement and transformation of the Group's Digital Customers & Partners Experience;
3. Improvement of Schneider Electric's Operational Efficiency through the effective use of Information Technology and digital automation capabilities;
4. Assessment of Cyber Risks and enhancement of the Group's Cyber Security posture (jointly with the audit committee);
5. Assessment of the contribution of potential M&A operations to the Group's Digital strategy;
6. Monitoring and analysis of the Digital landscape (competitors and disrupters, threats and opportunities);
7. Checking that the company is equipped with the right pool of talents for digital transformation.

### Article 14 – Perimeter of internal regulations

The present internal regulations have been unanimously approved by the board of directors. A purely internal act, their objective is to complete the articles of association by stipulating the main conditions of organization and operation of the board of directors. Their purpose is not to replace the articles of association. They may not be relied upon by shareholders or third parties for use against members of the board of directors, the company, or any company in the Schneider Electric Group. They may be modified at any time solely by deliberation of the board of directors.

#### 3.2: Charter of the Vice-Chairman independent lead director

1. The board of directors may appoint a Vice-Chairman. The Vice-Chairman shall be appointed for a period that may not be any longer than his term of office as a director. The Vice-Chairman is eligible for re-election. The Vice-Chairman may be removed from office by the board of directors at any time.
2. The Vice-Chairman shall preside over Board meetings in the absence of the Chairman.

The Vice-Chairman shall be called upon to replace the Chairman of the board of directors in the event of any temporary inability of the latter to fulfill his functions or his death. In the event of the Chairman's inability to fulfill his functions, he will be replaced by the Vice-Chairman as long as his inability may last and, in the case of his death, until the election of a new Chairman.

3. In exception to 1 above, and in compliance with article 12.2 of the articles of association, the appointment of a Vice-Chairman is compulsory if the roles of Chairman and CEO are combined. In this case, the Vice-Chairman also takes on the role of independent lead director. In this respect:
  - the Vice-Chairman is kept informed of major events in Group life through regular contacts and monthly meetings with the Chairman serving as CEO;
  - the Vice-Chairman is consulted by the Chairman serving as CEO on the agenda and the sequence of events for every Board meeting as well as on the schedule for Board meetings;
  - the Vice-Chairman may convene executive sessions with non-executive members of the board of directors, over which he will preside. An executive session shall be included on the agenda of every Board meeting. It is the Vice-Chairman's responsibility to decide whether it should be held or not. It is therefore held as decided by the Vice-Chairman, either directly before or after each Board meeting. In addition, the Vice-Chairman may convene an executive session between 2 Board meetings. Any director may ask the Vice-Chairman to convene an executive session;
  - the Vice-Chairman shall promptly report to the Chairman serving as CEO on the conclusions of executive sessions;
  - the Vice-Chairman shall draw the attention of the Chairman and of the board of directors to any possible conflicts of interest that he may have identified;
  - the Vice-Chairman is Chairman of the Governance committee;
  - like any other member of the board, the Vice-Chairman may attend any meetings of committees of which he is not a member;
  - in order to complement his knowledge, the Vice-Chairman may meet the Group's leading managers and visit company sites;
  - the Vice-Chairman carries out annual and biennial 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. Special reports from the Statutory Auditors

### 4.1: Statutory Auditors' report on regulated agreements and commitments

To the Shareholders of Schneider Electric SE,

In our capacity as your company's statutory auditors, we hereby report to you on regulated agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms, conditions and reasons underlying company's interest of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. 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 and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R. 225-31 of the French commercial code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with the guidance issued by the French Institute of statutory auditors (*Compagnie nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

#### Agreements and commitments submitted to the approval of the shareholders' meeting

##### Agreements and commitments authorized and concluded during the financial year

We have been informed of no agreements and commitments authorized during the last year and requiring the approval of the Shareholders' Meeting by virtue of article L. 225-38 of the French commercial code.

##### Agreements and commitments previously approved by the shareholders' meeting

We have been informed of the implementation, during the last year, of the following agreements and commitments, previously approved by the Shareholders' Meeting of April 24, 2018, as indicated in the statutory auditors' special report of March 12, 2018.

##### With Mr. Jean-Pascal TRICOIRE (Chairman & Chief Executive Officer)

Your Board of Directors, pursuant to the renewal of Mr. Jean-Pascal TRICOIRE's position of director and his reappointment as Chairman & Chief Executive Officer, both approved by the shareholders at the Shareholders' Meeting on April 25, 2017, authorized the renewal of the commitments, as described hereunder, in his favor, on February 14, 2018 and approved by the shareholders' meeting on April 24, 2018. These commitments had been previously authorized by your Board of Directors on February 18, 2015 and approved by your Shareholders' Meeting on April 21, 2015:

##### 1) Contingency and supplementary cover or insurance compensation plans

Mr. Jean-Pascal TRICOIRE benefits from the collective pension plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS covering the supplementary sickness, incapacity, disability, death and dependence.

Mr. Jean-Pascal TRICOIRE benefits from the supplementary health, incapacity, disability, death and dependence cover available to the Group's French senior executives as well as from coverage under the Group personal accident insurance policies.

Additionally, contingency and supplementary cover compensation for health, incapacity, disability, death and dependence inuring to the benefit of Mr. Jean-Pascal TRICOIRE shall be calculated on the basis of his overall remuneration (fixed/variable and additional payments for retirement).

In conformity with the French Commercial Code, these rights relating to contingency, supplementary cover or insurance compensation are conditioned on one of the following two criteria being present:

- Positive average of Group net profit for the five years preceding the event; or
- Positive average free cash flow for the five years preceding the event.

##### 2) Involuntary Severance Pay Scheme

Mr. Jean-Pascal TRICOIRE benefits from an Involuntary Severance Pay scheme (hereinafter "Compensation"). Compensation is capped, taking into account the non-compete compensation stipulated below, at twice the mathematical average of the effective annual remuneration for the last three years as authorized by the Board of Directors (hereinafter "Maximum Amount"). The right to Compensation shall be granted in the following cases:

- (i) Dismissal, non-renewal or resignation as Chairman & Chief Executive Officer in the six months following a material change in Schneider Electric's shareholder structure that could change the membership of the Board of Directors;
- (ii) Dismissal, non-renewal or resignation as Chairman & Chief Executive Officer in the event of a reorientation of the strategy pursued and promoted by him until his departure, whether or not in connection with a change in shareholder structure as described above;
- (iii) Requested dismissal, non-renewal or resignation as Chairman & Chief Executive Officer when the average rate of achievement of performance objectives used to calculate the variable bonus in the four full financial years preceding his departure was 66 percent.



The right to Compensation is subject to and shall depend on the rate of achievement of Group performance objectives used to determine part of the variable portion of Mr. TRICOIRE's compensation for the three financial years preceding the date of the Board meeting at which the decision is made.

Hence, if the Group's performance rate is:

- (i) Less than 66 percent; no Compensation shall be awarded;
- (ii) 66 percent; the interested party shall receive 75 percent of the Maximum Amount;
- (iii) Between 66 percent and 100 percent; he shall receive Compensation calculated on a straight-line basis at a rate of 75 to 100 percent of the Maximum Amount;
- (iv) At least 100 percent; he shall receive 100 percent of the Maximum Amount.

It is hereby stipulated that compensation of any kind whatsoever which should be awarded by companies of the Group in which Mr. Jean-Pascal TRICOIRE exercises duties and responsibilities shall be deducted from the amount due by Schneider Electric, it being expressly specified that i) such compensation shall be recognized exclusively as Involuntary Severance Pay due to Mr. Jean-Pascal TRICOIRE and that ii) in each and every case, such compensation may not exceed the amount of Involuntary Severance Pay defined above.

Involuntary Severance Pay shall not be due in the event that termination occurs as a result of serious or gross misconduct.

### 3) Non-Compete Agreement

Mr. Jean-Pascal TRICOIRE benefits from the non-compete agreement which shall not exceed one year and shall be remunerated in an amount not exceeding 60 percent of authorized target gross remuneration (fixed and targeted variable, including additional payments for retirement).

Should Mr. TRICOIRE leave involuntarily, the Board of Directors shall rule on the application or the non-application of the agreement, within a period of not exceed fifteen days from the date of departure.

### 4) Stock Options, Free Shares or Performance Shares

Mr. Jean-Pascal TRICOIRE retains forthwith, subject to performance criteria and only in the event of his Involuntary Departure, the benefit of all his stock options, free shares or performance shares or any other shares attributed to him:

- Mr. TRICOIRE will retain the benefit all his stock options, free shares or performance shares or any other shares attributed to him on February 14, 2018, subject to the mathematical average of the rate of achievement of Group performance objectives, used to determine part of Mr. Jean-Pascal TRICOIRE's bonus, equaling at least two thirds of the target of the three completed financial years preceding his departure.
- Mr. TRICOIRE will retain the benefit all his stock options, free shares or performance shares or any other shares attributed to him after February 14, 2018, based on the prorata temporis of his time of presence within the Group, regardless of his position, unless the Board, in a justified decision and only in the case of an involuntary severance, grants the benefit of all stock options, free shares or performance shares, under the same conditions as those applied for stock options, free shares or performance shares attributed before February 14, 2018. These conditions include the changes decided by your Board of Directors on February 14, 2018, to align with best practices in terms of governance and to offer the necessary flexibility to retain high performing managers, and hence have been considered to be in your company's interest.

### 5) Surviving spouse's pension

Mr. Jean-Pascal TRICOIRE benefits from a spouse's pension in the event that he should die before his retirement or before the end of his term of office, after 55 years of age without restarting work, following dismissal, or for reasons of a disability. The pension will equal 60 percent of 25 percent of average salaries paid over the three years preceding the date of death (or the date of departure if death should occur once he has left Schneider Electric) minus the amount of additional remuneration authorized by the Board of Directors, converted into a theoretical annuity equivalent that may be purchased upon death in conformity with insurance conditions (technical rate, mortality rate).

Mr. Jean-Pascal TRICOIRE benefits in the event of disability giving rise to the termination of all professional activity, the right to pension payments (payable to the surviving spouse at a rate of 60 percent) beginning from retirement equal to 25 percent of average salaries paid over the three years preceding the date of disability minus 1.25 percent per quarter of absence so as to obtain a full rate of pension and minus the amount of additional remuneration authorized by the Board of Directors, converted into a theoretical annuity equivalent that may be purchased upon disability in conformity with insurance conditions (technical rate, mortality rate).

### With Mr. Emmanuel BABEAU (Deputy Chief Executive Officer)

Your Board of Directors, pursuant to the reappointment of Mr. Emmanuel BABEAU as Deputy Chief Executive Officer approved by the shareholders at the Shareholders' Meeting on April 25, 2017, authorized the renewal of the commitments, as described hereunder, in his favor, on February 14, 2018 and approved by the shareholders' meeting on April 24, 2018. These commitments had been previously authorized by your Board of Directors on February 18, 2015 and approved by your Shareholders' Meeting on April 21, 2015:

#### 1) Contingency and supplementary cover or insurance compensation plans

Mr. Emmanuel BABEAU benefits from the collective pension plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS covering the supplementary sickness, incapacity, disability, death and dependence.

Mr. Emmanuel BABEAU benefits from the supplementary health, incapacity, disability, death and dependence cover available to the Group's French senior executives as well as from coverage under the Group personal accident insurance policies.

Additionally, contingency and supplementary cover compensation for health, incapacity, disability, death and dependence inuring to the benefit of Mr. Emmanuel BABEAU shall be calculated on the basis of his overall remuneration (fixed/variable and additional payments for retirement).

In conformity with the French Commercial Code, these rights relating to contingency, supplementary cover or insurance compensation are conditioned on one of the following two criteria being present:

- Positive average of Group net profit for the five years preceding the event; or
- Positive average free cash flow for the five years preceding the event.

## **4. Special reports from the Statutory Auditors**

### **2) Involuntary Severance Pay Scheme**

Mr. Emmanuel BABEAU benefits from an Involuntary Severance Pay scheme (hereinafter "Compensation"). Compensation is capped, taking into account the non-compete compensation stipulated below, at twice the mathematical average of the effective annual remuneration for the last three years as authorized by the Board of Directors (hereinafter "Maximum Amount"). The right to Compensation shall be granted in the following cases:

- (i) Dismissal, non-renewal or resignation as Deputy Chief Executive Officer in the six months following a material change in Schneider Electric's shareholder structure that could change the membership of the Board of Directors;
- (ii) Dismissal, non-renewal or resignation as Deputy Chief Executive Officer in the event of a reorientation of the strategy pursued and promoted by him until his departure, whether or not in connection with a change in shareholder structure as described above;
- (iii) Requested dismissal, non-renewal or resignation as Deputy Chief Executive Officer when the average rate of achievement of performance objectives used to calculate the variable bonus in the four full financial years preceding his departure was 66 percent.

The right to Compensation is subject to and shall depend on the rate of achievement of Group performance objectives used to determine part of the variable portion of Mr. BABEAU's compensation for the three financial years preceding the date of the Board meeting at which the decision is made.

Hence, if the Group's performance rate is:

- (i) Less than 66 percent; no Compensation shall be awarded;
- (ii) 66 percent; the interested party shall receive 75 percent of the Maximum Amount;
- (iii) Between 66 percent and 100 percent; he shall receive Compensation calculated on a straight-line basis at a rate of 75 to 100 percent of the Maximum Amount;
- (iv) At least 100 percent; he shall receive 100 percent of the Maximum Amount.

It is hereby stipulated that compensation of any kind whatsoever which should be awarded by companies of the Group in which Mr. Emmanuel BABEAU exercises duties and responsibilities shall be deducted from the amount due by Schneider Electric, it being expressly specified that i) such compensation shall be recognized exclusively as Involuntary Severance Pay due to Mr. Emmanuel BABEAU and that ii) in each and every case, such compensation may not exceed the amount of Involuntary Severance Pay defined above.

Involuntary Severance Pay shall not be due in the event that termination occurs as a result of serious or gross misconduct.

### **3) Non-Compete Agreement**

Mr. Emmanuel BABEAU benefits from the non-compete agreement which shall not exceed one year and shall be remunerated in an amount not exceeding 60 percent of authorized target gross remuneration (fixed and targeted variable, including additional payments for retirement).

Should Mr. BABEAU leave involuntarily, the Board of Directors shall rule on the application or the non-application of the agreement, within a period to not exceed fifteen days from the date of departure.

### **4) Stock Options, Free Shares or Performance Shares**

Mr. Emmanuel BABEAU retains forthwith, subject to performance criteria and only in the event of his Involuntary Departure, the benefit of all his stock options, free shares or performance shares or any other shares attributed to him:

- Mr. Emmanuel BABEAU will retain the benefit all his stock options, free shares or performance shares or any other shares attributed to him on February 14, 2018, subject to the mathematical average of the rate of achievement of Group performance objectives, used to determine part of Mr. Jean-Pascal TRICOIRE's bonus, equaling at least two thirds of the target of the three completed financial years preceding his departure.
- Mr. Emmanuel BABEAU will retain the benefit all his stock options, free shares or performance shares or any other shares attributed to him after February 14, 2018, based on the prorata temporis of his time of presence within the Group, regardless of his position, unless the Board, in a justified decision and only in the case of an involuntary severance, grants the benefit of all stock options, free shares or performance shares, under the same conditions as those applied for stock options, free shares or performance shares attributed before February 14, 2018. These conditions include the changes decided by your Board of Directors on February 14, 2018, to align with best practices in terms of governance and to offer the necessary flexibility to retain high performing managers, and hence have been considered to be in your company's interest.

### **5) Surviving spouse's pension**

Mr. Emmanuel BABEAU benefits from a spouse's pension in the event that he should die before his retirement or before the end of his term of office, after 55 years of age without restarting work, following dismissal, or for reasons of a disability. The pension will equal 60 percent of 25 percent of average salaries paid over the three years preceding the date of death (or the date of departure if death should occur once he has left Schneider Electric) minus the amount of additional remuneration authorized by the Board of Directors, converted into a theoretical annuity equivalent that may be purchased upon death in conformity with insurance conditions (technical rate, mortality rate).

Mr. Emmanuel BABEAU benefits in the event of disability giving rise to the termination of all professional activity, the right to pension payments (payable to the surviving spouse at a rate of 60 percent) beginning from retirement equal to 25 percent of average salaries paid over the three years preceding the date of disability minus 1.25 percent per quarter of absence so as to obtain a full rate of pension and minus the amount of additional remuneration authorized by the Board of Directors, converted into a theoretical annuity equivalent that may be purchased upon disability in conformity with insurance conditions (technical rate, mortality rate).

Signed in Paris-La Défense and in Courbevoie, on March 8, 2019

The Statutory Auditors

**ERNST & YOUNG et Autres**

Jean-Yves JEGOUREL  
Alexandre RESTEN

**MAZARS**

Loïc WALLAERT

## 4.2: Statutory Auditors' report on the issuance of shares and 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, of any company in which it owns directly or indirectly more than half the share capital, with preferential subscription rights (15<sup>th</sup> resolution);
  - an issue of ordinary shares or securities giving access to the ordinary shares of the company or, 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 (17<sup>th</sup> 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 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 (20<sup>th</sup> resolution);
- to authorize the board, within the framework of the implementation of the delegation referred to in the 20<sup>th</sup> 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 (19<sup>th</sup> resolution), within the limit of 9.93 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 EUR 800 million by virtue of the 15<sup>th</sup>, 16<sup>th</sup>, 17<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> resolutions, of the current Shareholders' Meeting and for the 16<sup>th</sup> resolution of the Shareholders' Meeting of April 24, 2018, it being specified that:

- the total nominal amount of the increase in capital may not exceed EUR 230 million by virtue of 17<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> resolutions;
- the total nominal amount of the increase in capital may not exceed EUR 155 million by virtue of 20<sup>th</sup> 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 15<sup>th</sup> and 17<sup>th</sup> resolutions, in accordance with article L. 225-135-1 of the French Commercial Code, if you adopt the 18<sup>th</sup> 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 17<sup>th</sup> 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 20<sup>th</sup> 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 15<sup>th</sup> and 19<sup>th</sup> 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 17<sup>th</sup> and 20<sup>th</sup> 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 8, 2019

The Statutory Auditors

**ERNST & YOUNG et Autres**  
Jean-Yves JEGOUREL  
Alexandre RESTEN

**MAZARS**  
Loïc WALLAERT

## 4. Special reports from the Statutory Auditors

### 4.3: Statutory Auditors' report on the authorization to make grants of free shares, existing or to be issued

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with Articles L. 225-197-1 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed authorization to make grants of free shares, existing or to be issued, to members of the staff or certain categories determined from among the employees of the Company or of companies affiliated therewith for purposes of Article L. 225-197-2, as well as to officers who meet the conditions set forth in Article L. 225-197-1 of the French Commercial Code, upon which you are called to vote.

In its report, the Board of Directors states that in the context of the annual long-term incentive plans, all the shares allocated to the company's executive officers and members of the Executive Committee will be subject to performance conditions. For other beneficiaries, the performance conditions will cover at least 70% of the awarded shares. Due to the performance conditions, all or part of the performance shares may be canceled.

The aggregate number of shares that may thus be granted shall not amount to more than 2% of the Company's share capital at the date of this Shareholders' Meeting, it being specified that the number of shares that may be granted annually to corporate officers of the Company under and pursuant to this authorization shall not account for a percentage greater than 0.03% of the Company's share capital at the date of this Shareholders' Meeting.

Your board of directors proposes that, on the basis of its report, it be authorized, for a period of 38 months from the date of this Shareholders' Meeting, to make grants of free shares, existing or to be issued.

It is the responsibility of the board of directors to prepare a report on these transactions with which it wishes to proceed. It is our responsibility to give you our comments, if we have any, on the information that you have thus been given about the proposed transactions.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted, in particular, in verifying that the methods planned and set out in the board of directors' report comply with the provisions of the law.

We have no comments to make on the information set out in the board of director's report on the proposed authorization to make grants of free shares.

Signed in Paris-La-Défense and in Courbevoie, on March 8, 2019

The Statutory Auditors

**ERNST & YOUNG et Autres**

Jean-Yves JEGOUREL  
Alexandre RESTEN

**MAZARS**

Loïc WALLAERT

#### 4.4: Statutory Auditors' report on the issuance of shares or securities giving access to capital reserved for members of a Company Savings Plan

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with Articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code (*Code de commerce*), we hereby report on the proposal to authorize your board of directors to decide whether to proceed with an issue of shares or securities giving access to the share capital of the company with cancellation of preferential subscription rights, reserved for participants in a Company Savings Plan of the company and of the French or non-French companies affiliated with the company in accordance with article L. 225-180 of the French Commercial code (*Code de commerce*) and article L. 3344-1 of the French Labor code (*Code du travail*), an operation upon which you are called to vote.

The maximum nominal amount of the increase in capital that may result from this issue is 2 percent of the share capital on the date of implementation of this delegation, it being specified that this amount shall be deducted from the ceilings referred to in the 15th and 17th resolutions of this shareholders' meeting.

This operation is submitted for your approval in accordance with articles L. 225-129-6 of the French Commercial code (*Code de commerce*) and L. 3332-18 et seq. of the French Labor code (*Code du travail*).

Your board of directors proposes that, on the basis of its report, it be authorized, with the right of sub-delegation, for a period of twenty-six months from the date of this shareholders' meeting, to decide on whether to proceed with an issue and proposes to cancel your preferential subscription rights to the equity securities to be issued. If applicable, it shall determine the final conditions of this operation. This delegation may only be used from June 30, 2019.

It is the responsibility of the board of directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to the share issue provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the board of director's report relating to this operation and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price of the equity securities to be issued provided in the board of director's report.

As the final conditions for the issue have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report, if necessary, when your board of directors has exercised this authorization.

Signed in Paris-La-Défense and in Courbevoie, on March 8, 2019

The Statutory Auditors

**ERNST & YOUNG et Autres**  
Jean-Yves JEGOUREL  
Alexandre RESTEN

**MAZARS**  
Loïc WALLAERT

## 4. Special reports from the Statutory Auditors

### 4.5: Statutory Auditors' report on the issuance of shares or securities reserved for a category of beneficiaries

To the Shareholders,

In our capacity as Statutory Auditors of your company and in compliance with articles L. 228-92 and 225-135 et seq. of the French Commercial Code (*Code de commerce*), we hereby report on the proposal to issue ordinary shares or securities giving access to the share capital of the company, with cancellation of preferential subscription right reserved for (i) employees and officers of companies of the Schneider Electric Group affiliated with the company under the terms and conditions set forth in article L. 225-180 of the French Commercial code and article L. 3344-1 of the French Labor code (*Code du travail*) and the head office of which is located outside France; (ii) and/or OPCVM mutual investment funds or other entities, with or without legal personality, of employee shareholders invested in equity securities of the company, the unit holders or shareholders of which consist of persons described in (i) of this paragraph; (iii) and/or any banking institution or affiliate or subsidiary of such institution acting at the company's request for purposes of implementing and giving effect to a shareholder incentive or investment or savings plan for the benefit of the persons described in (i) of this paragraph, an operation upon which you are called to vote.

The maximum nominal amount of the increase in capital that may result from this issue is 1 percent of the share capital on the date of this shareholders' meeting, it being specified that this amount shall be deducted from the ceiling of 2 percent referred to in the 22<sup>nd</sup> resolution of this shareholders' meeting, but is autonomous and distinct from the ceiling referred to in the 15<sup>th</sup> and 17<sup>th</sup> resolutions of this shareholders' 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 to the equity securities to be issued. This delegation may only be used from August 1, 2019.

It is the responsibility of the board of directors to prepare a report in accordance with articles R. 225-113 et seq. of the French Commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights, and on other information relating to the share issue provided in this report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the board of director's report relating to this operation and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price of the equity securities to be issued provided in the board of director's report.

As the final conditions for the issue have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code (*Code de commerce*), we will issue a supplementary report, if necessary, when your board of directors has exercised this authorization.

Signed in Paris-La-Défense and in Courbevoie, on March 8, 2019

The Statutory Auditors

**ERNST & YOUNG et Autres**  
Jean-Yves JEGOUREL  
Alexandre RESTEN

**MAZARS**  
Loïc WALLAERT

#### 4.6: 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 8, 2019

The Statutory Auditors

**ERNST & YOUNG et Autres**

Jean-Yves JEGOUREL  
Alexandre RESTEN

**MAZARS**

Loïc WALLAERT

## 5. Draft resolutions

## 5. Draft resolutions

## Ordinary meeting

**FIRST RESOLUTION (Approval of corporate financial statements for the 2018 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 2018 financial year as presented, as well as the transactions reflected in these statements or summarized in such reports showing a net profit of EUR4,457,993,619.34.

**SECOND RESOLUTION (Approval of consolidated financial statements for the 2018 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 consolidated statements for the 2018 financial year as presented, as well as the transactions reflected in these statements or summarized in such reports.

**THIRD RESOLUTION (Appropriation of profit for the financial year and setting the dividend)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, upon proposal of the board of directors:

- (i) after taking into account that the retained earnings amount to EUR84,171,289.40 and the total distributable earnings to EUR4,542,164,908.74;
- (ii) decides on the distribution to the 579,168,769 shares with a par value of EUR4 comprising the share capital on December 31, 2018, and dividend rights on January 1, 2019, at EUR2.35 per share, and as a result sets at EUR1,361,046,607.15 the amount to withhold on distributable earnings to carry out this distribution.

<b>Net profit</b>	<b>EUR4,457,993,619.34</b>
Retained earnings	EUR84,171,289.40
Distributable earnings	EUR4,542,164,908.74
<b>Total amount of the distribution</b>	<b>EUR1,361,046,607.15</b>
Amount of the retained earnings after withholding from the distribution	EUR3,181,118,301.59

With regard to taxation, it is specified that this distribution of EUR2.35 per share constitutes distributed income subject to a social security tax of 17.2% charged on the gross amount when paid. The gross amount of French-source dividends received by resident individuals will also be subject to a mandatory non-definitive levy at source of 12.8%, but exemption from this levy. In 2020, dividends will in principle be subject to a flat tax ("Prélèvement Forfaitaire Unique" – "PFU") at the rate of 12.8% unless option for dividends to be subject to income tax at ordinary progressive rates. In such case, after applying a 40% (uncapped) allowance, only 60% of the dividends will be included in the taxable income, less any deductible charges and expenses. The above-mentioned levy at source of 12.8% will be imputed on the income tax that will be due in 2020 for income earned in 2019.

Dividends/coupons paid by Schneider Electric SE for the 3 most recent financial years are as follows, in EUR:

	2015	2016	2017
Net dividend paid per share in EUR	2.00	2.04	2.20

**FOURTH RESOLUTION (Information regarding regulated agreements and commitments undertaken during previous financial years)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, takes due note of the information set forth in the Statutory Auditors' special report relating to the agreements and the commitments undertaken in previous financial years and approved by the Annual Shareholders' Meeting.

**FIFTH RESOLUTION (Approval of elements of the compensation paid, due or awarded in respect of the 2018 financial year to Mr. Jean-Pascal Tricoire)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, in accordance with Article L.225-100 of the French Commercial Code, approves the components of the compensation due or awarded for the 2018 financial year to Mr. Jean-Pascal Tricoire as presented in the governance report of the Company referred to in Article L.225-37 of said Code.

**SIXTH RESOLUTION (Approval of elements of the compensation paid, due or awarded in respect of the 2018 financial year to Mr. Emmanuel Babeau)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, in accordance with Article L.225-100 of the French Commercial Code, approves the components of the compensation due or awarded for the 2018 financial year to Mr. Emmanuel Babeau as presented in the Company's governance report referred to in Article L.225-37 of said Code.



**SEVENTH RESOLUTION****(Approval of principles and criteria for determining, allocating and granting the elements of the compensation and benefits of all types that may be granted to the Chairman and Chief Executive Officer in respect of 2019 financial year)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, in accordance with Article L.225-37-2 of the French Commercial Code, approves the principles and criteria for determination, distribution and allocation of the fixed, variable and exceptional elements which make up the total compensation and benefits of any type that may be granted, on account of his role, to the Chairman and CEO, as specified in the Company's governance report referred to in Article L.225-37 of said Code.

**EIGHTH RESOLUTION****(Approval of principles and criteria for determining, allocating and granting the elements of the compensation and benefits of all types that may be granted to the Deputy Chief Executive Officer in respect of 2019 financial year)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, in accordance with Article L.225-37-2 of the French Commercial Code, approves the principles and criteria for determination, distribution and allocation of the fixed, variable and exceptional elements which make up the total compensation and benefits of any type that may be granted, on account of his role, to the Deputy CEO, as specified in the Company's governance report referred to in Article L.225-37 of said Code.

**NINTH RESOLUTION****(Renewal of a directorship: Mr. Greg Spierkel)**

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. Greg Spierkel as a director for a 4-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2023 to approve the financial statements for the financial year ending December 31, 2022.

**TENTH RESOLUTION****(Appointment of a director: Ms. Carolina Dybeck Happe)**

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. Carolina Dybeck Happe as a director for a 4-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2023 to approve the financial statements for the financial year ending December 31, 2022.

**ELEVENTH RESOLUTION****(Appointment of a director: Ms. Xuezheng Ma)**

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. Xuezheng Ma as a director for a 4-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2023 to approve the financial statements for the financial year ending December 31, 2022.

**TWELFTH RESOLUTION****(Appointment of a director: Mr. Lip-Bu Tan)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, having heard the board of directors' report, hereby appoints Mr. Lip-Bu Tan as a director for a 4-year term expiring at the close of the Annual Shareholders' Meeting to be held in 2023 to approve the financial statements for the financial year ending December 31, 2022.

**THIRTEENTH RESOLUTION****(Determination of the amount of directors' fees to be allocated to the board of directors)**

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 EUR2,500,000 the maximum annual amount of directors' fees to be paid to the board of directors.

## 5. Draft resolutions

### FOURTEENTH RESOLUTION

#### (Authority granted to the board of directors to buy back Company shares – maximum purchase price per share EUR90)

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements for ordinary meetings, having heard the board of directors' report, hereby authorizes the board of directors, pursuant to the provisions of Article L.225-209 of the French Commercial Code and of Regulation (EU) no. 596/2014 of April 16, 2014 on market abuse (market abuse regulation), to acquire or have acquired the Company's shares for the purpose of:

- reducing the share capital within the maximum legal limit;
- covering stock purchase option plans or other share allocations to employees or officers of the Company or an associated company;
- fulfilling obligations related 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);
- engage in market making under and pursuant to a liquidity agreement consistent with the *Autorité des Marchés Financiers* accepted market practices; or
- implementing and carrying out any other market practice that may be recognized by law or the AMF.

The maximum number of shares that may be acquired under and pursuant to this authority shall not exceed 10% of the aggregate number of shares constituting the share capital on the date of the Annual Shareholders' Meeting (*i.e.* for information purposes, 57,916,876 shares on the basis of the share capital as of December 31, 2018).

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 EUR5,212,518,840.

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-fourth resolution of 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 (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

### FIFTEENTH RESOLUTION

**(Delegation of authority to the board of directors to increase the nominal share capital within the limit of EUR800 million, i.e. approximately 34.53% of the capital on December 31, 2018, 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, 34.53% of the capital at December 31, 2018). 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 sixteenth, seventeenth, eighteenth and twentieth resolutions of this Annual Shareholders' Meeting, in addition to those undertaken, as applicable, on the basis of the sixteenth resolution of the Extraordinary Shareholders' Meeting of April 24, 2018, 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 twenty-first and twenty-third resolutions 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 nineteenth resolution of the Extraordinary Shareholders' Meeting of April 25, 2017, 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.

## 5. Draft resolutions

**SIXTEENTH 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 two 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 fifteenth resolution of this 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 twentieth resolution of the Extraordinary Shareholders' Meeting of April 25, 2017, 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.

**SEVENTEENTH RESOLUTION**

**(Delegation of authority to the board of directors to increase the nominal share capital within the limit of EUR230 million, i.e. 9.93% of the share capital on December 31, 2018, 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, 9.93% of the capital at December 31, 2018). 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 fifteenth resolution of 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 twenty-first resolution of the Extraordinary Shareholders' Meeting of April 25, 2017, 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.

**EIGHTEENTH RESOLUTION****(Delegation of authority to the board of directors to increase the amount of an initial issue, as approved pursuant to the fifteenth and seventeenth 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 fifteenth and seventeenth resolutions of 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 fifteenth and seventeenth resolutions of 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 twenty-second resolution of the Extraordinary Shareholders' Meeting of April 25, 2017, in terms of the amounts not used by the board of directors.

**NINETEENTH RESOLUTION****(Delegation of powers to the board of directors to increase the share capital within the limit of 9.93% 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 9.93% 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 seventeenth 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 Articles of Association 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 twenty-third resolution of the Extraordinary Shareholders' Meeting of April 25, 2017, 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.

## 5. Draft resolutions

**TWENTIETH 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. 4.96% 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 million (*i.e.*, for information purposes, 4.96% of the capital at December 31, 2018). 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 seventeenth resolution and to the capital increase ceiling of EUR800 million provided for in the fifteenth resolution of this 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 twenty-fourth resolution of the Extraordinary Shareholders' Meeting of April 25, 2017, 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**

**(Authorization to the board of directors to make grants of free shares (on the basis of existing shares or shares to be issued) to corporate officers and employees of the Company or of companies affiliated therewith, subject to performance conditions, as the case may be, up to a limit of 2% of the share capital, without the shareholders' preferential subscription right)**

The Shareholders' Meeting, acting on the basis of the *quorum* and majority requirements for extraordinary meetings, having heard the report of the board of directors and the special report of the Statutory Auditors and acting in accordance with the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code:

- hereby resolves to authorize the board of directors to make grants, on one or more occasions, to members of the staff or certain categories thereof that it shall determine from among the employees of the Company or of companies affiliated therewith for purposes of Article L. 225-197-2, as well as to corporate officers who meet the conditions set forth in Article L. 225-197-1 of the French Commercial Code, of free existing shares or shares to be issued of the Company;
- hereby resolves that the board of directors shall determine who is to benefit from the grants, the number of shares for each recipient as well as the terms and conditions thereof and the performance criteria, if any, to which all or part of the shares granted under and pursuant to annual long-term incentive plans shall be subject, provided, however, i) that 100% of the shares granted to Corporate Officers of the Company and to members of Schneider Electric's Executive Committee under and pursuant to long-term incentive plans shall be subject to meeting performance goals, and 70% of the shares granted to the other beneficiaries, in such connection, shall be subject to meeting performance goals, and ii) that the performance goals shall be assessed over a period of at least three years;
- hereby resolves that the aggregate number of shares granted shall not amount to more than 2% of the Company's share capital on the date on which this Shareholders' Meeting is being held;
- hereby resolves that the shares granted annually to Corporate Officers of the Company under and pursuant to this authorization shall not account for a percentage greater than 0.03% of the Company's share capital on the date on which this Annual Shareholders' Meeting is being held;
- hereby resolves that the grants of shares to the beneficiaries or recipients thereof shall be final, subject to the terms and conditions and meeting the performance goals established by the board of directors, as the case may be, at the end of a vesting period set by the board of directors. The board of directors shall have the right to set the vesting and lock-up or holding periods in accordance with Article L. 225-197-1 of the French Commercial Code and to provide for a minimum vesting or holding period of three years for all or a portion of the shares, provided that the vesting period of the shares granted under and pursuant to the long term incentive plan, cannot be shorter than three years;
- hereby resolves, as an exception to the foregoing paragraph, that final effectiveness of grants of shares and the right to sell or transfer them freely shall vest, however, in a beneficiary or recipient thereof, if he or she should become subject to any of the cases of disability set forth in Article L. 225-197-1 of the French Commercial Code;
- hereby resolves to authorize the board of directors to make adjustments, as the case may be, during the vesting period to the number of shares in connection with possible transactions involving the Company's share capital, so as to protect and preserve the rights of the beneficiaries and recipients;
- hereby take note that this authorization shall constitute automatically and *ipso jure* an express waiver by the shareholders in favor of the beneficiaries and recipients of free shares of their preferential right to subscribe for and acquire the shares to be issued that are awarded on a free basis. The capital increase corresponding thereto shall be fully and finally completed solely as a result of the final and effective grant of the shares to the beneficiaries;
- hereby resolves to set at 38 months from and after this General Meeting the period of validity of this authorization, which shall nullify and render void the authorization granted in the nineteenth resolution at the General Meeting held on April 25, 2016, in respect of the amounts thereof not used by the board of directors.

The Shareholders' Meeting hereby resolves to grant any and all authority to the board of directors, with the right to grant subdelegations of authority within the limits provided by law, to implement and give effect to this authorization, undertake and perform any actions, formalities, and statements or declarations, make any adjustments, as the case may be, to any transactions involving the Company's share capital, record the increase or increases in share capital completed pursuant to this authorization, amend the Articles of Association as a result thereof, and generally do whatever may be necessary.

The shareholders hereby take due note that the board of directors sets the terms and conditions of lock-up and holding period applicable to shares granted to eligible corporate officers, in accordance with Article L. 225-197-1 II of the French Commercial Code.

The board of directors shall report every year to the Annual Shareholders' Meeting of the transactions carried out under this authorization.

## 5. Draft resolutions

### **TWENTY-SECOND RESOLUTION (Delegation of authority to the board of directors to undertake capital increases reserved for participants in a Company Savings Plan up to a limit of 2% of share capital, without shareholders' preferential subscription right)**

The Annual Shareholders' Meeting, acting in accordance with the *quorum* and majority requirements required for extraordinary meetings, having heard the report of the board of directors and the special report of the Statutory Auditors, pursuant to the provisions of Articles L.3332-1 *et seq.* of the French Labor Code and Articles L.225-129-2, L.225-129-6, L.225-138-1 and L.228-92 of the French Commercial Code and in accordance with the provisions of that code:

- delegates to the board of directors the authority, with the power to subdelegate, for a period of 26 months from the date of this Annual Shareholders' Meeting, to undertake a capital increase on one or more occasions at its discretion by issuing shares or securities carrying the right to acquire shares of the Company, under the terms and conditions set forth in Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labor code, reserved for participants in a Company Savings Plan and French or non-French companies affiliated with the Company in a maximum par value, or paid-in capital, amount of 2% of the share capital on the date this authorization is implemented and given effect, with the possibility to issue shares against cash or by capitalizing reserves, profits or premium in case of grants of free shares or of securities granting access to share capital on account for the discount or the matching contribution, it being specified that (i) such limit shall be charged against the limits set forth in the fifteenth and seventeenth resolutions of this Annual Shareholders' Meeting, and (ii) this authorization may be used only from and after June 30, 2019;
- hereby resolves to set a maximum discount to be offered in connection with Company Savings Plan at 20% (or 30% if permitted by law) 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, 2019, the authorization given by the Annual Shareholders' Meeting of April 24, 2018, in its sixteenth 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-THIRD 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 Auditors' special report, and in accordance with Articles L.225-129-1, L.225-138 et L.228-92 *et seq.* of the French Commercial Code:

- hereby delegates to the board of directors the authority, with the power to grant subdelegations of authority, necessary to undertake increases in the share capital on one or more occasions, at the times and in the proportions it deems appropriate up to a maximum of 1% of the share capital on the date of this shareholders' meeting, by issuing shares or securities providing access to the capital of the Company, granting the same rights as previously issued shares, such issue to be reserved for persons meeting the characteristics of the class defined below, provided, however, that (i) the 1% limit set forth above shall be charged against the 2% limit set forth in the twenty-second resolution of this Annual Shareholders' Meeting, but, which, on the other hand, is separate and apart from the limits set forth in the fifteenth and seventeenth resolutions of this Annual Shareholders' meeting, and (ii) this authorization may be used only from and after August 1, 2019;
- 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-second resolution of this Annual Shareholders' Meeting; the board of directors may set the issue price by applying a maximum discount of 20% (or 30% if permitted by a change in law as part of the twenty-second resolution of this Annual Shareholders Meeting) 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 Articles of Association accordingly,
  - and, as a general rule, to enter into any agreement, in particular to ensure the due and proper completion of the contemplated issuances, take all steps and complete any required formalities in connection with the issue, the listing and financial servicing of the securities issued under and this authorization, as well as the exercise of the rights attaching thereto, and, more generally, to do whatever may be necessary;
- resolves that this delegation shall nullify as of August 1, 2019, the authority given by the Annual Shareholders' Meeting of April 24, 2018, in its seventeenth 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.

## 5. Draft resolutions

**TWENTY-FOURTH 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 cancellations, to undertake all actions, formalities, and declarations with a view to canceling the shares and to complete the capital reductions, and to amend the Articles of Association accordingly.

This authorization shall remain valid for a period of 24 months from the date of this Annual Shareholders' Meeting.

## Ordinary meeting

**TWENTY-FIFTH 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

## 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 15, 2019  
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, 2016, registered with *Autorité des Marchés Financiers* (AMF) under number D17-0177 on March 17, 2017;
- the consolidated financial statements and corresponding auditors' reports provided in Chapter 5 of the registration document for the year ended December 31, 2017, registered with *Autorité des Marchés Financiers* (AMF) under number D.18-0138 on March 16, 2018;
- the parent company financial statements and corresponding auditors' reports provided in Chapter 6 of the registration document for the year ended December 31, 2016, registered with *Autorité des Marchés Financiers* (AMF) under number D17-0177 on March 17, 2017;
- the parent company financial statements and corresponding auditors' reports provided in Chapter 6 of the registration document for the year ended December 31, 2017, registered with *Autorité des Marchés Financiers* (AMF) under number D.18-0138 on March 16, 2018;
- the management report provided in Chapter 4 of the registration document for the year ended December 31, 2016, registered with *Autorité des Marchés Financiers* (AMF) under number D17-0177 on March 17, 2017;
- the management report provided in Chapter 4 of the registration document for the year ended December 31, 2017, registered with *Autorité des Marchés Financiers* (AMF) under number D.18-0138 on March 16, 2018.
- 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
<b>Statutory Auditors</b>		
Ernst & Young et Autres Tour First – 1, place des Saisons – 92037 Paris-la-Défense-Cedex Represented by Jean-Yves Jégourel and Alexandre Resten	1992	2022
Mazars Tour Exaltis – 61, rue Henri-Regnault – 92400 Courbevoie Represented by Loïc Wallaert	2004	2022
<b>Alternate Auditors</b>		
Auditex	2010	2022
Thierry Blanchetier	2010	2022

Ernst & Young et Autres and Mazars are members of the Auditors' Regional Company of Versailles.





## Financial Calendar

### Investor relations

**April 25, 2019** Shareholder's Annual Meeting (Paris)  
**May 3, 2019** Dividend payment

### Financial releases

**February 14, 2019** 2018 Annual results  
**April 18, 2019** Q1 2019 sales  
**July 25, 2019** Half year results  
**October 24, 2019** Q3 2019 sales



#### Internet

[www.schneider-electric.com](http://www.schneider-electric.com)



#### YouTube

SchneiderCorporate  
(<https://www.youtube.com/user/SchneiderCorporate>)



#### Twitter

@SchneiderElec  
(<https://twitter.com/SchneiderElec>)



#### Instagram

SchneiderElectric  
(<https://www.instagram.com/schneiderelectric>)



#### LinkedIn

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#### Facebook

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(<https://www.facebook.com/SchneiderElectric>)



#### Schneider Electric TV

[tv.schneider-electric.com](http://tv.schneider-electric.com)  
(<http://tv.schneider-electric.com/site/schneidertv/index.cfm>)

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Incorporated in France,  
governed by a board of directors  
with issued capital of EUR 2,316,675,076  
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Siret no.: 542 048 574 01 091