

Ambitious outlook – Positive action – Full accountability



*Our commitment for a more sustainable world.*

## About this report

### Who:

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

### What:

With its strong commitments, Schneider Electric harnesses its culture of innovation and partnerships to provide its customers with products and solutions supporting the energy transition and digital transformation to deliver clean, safe and reliable energy. This integrated report presents the way that the Group is implementing this vision within its environment, looking at its business model, value creation strategy and governance.

### How:

This report is based on the principles of integrated thinking and the framework proposed by the International Integrated Reporting Council (IIRC), and is aligned with requirements for the Extra-financial Performance Declaration. The Group also uses the Global Reporting Initiative (GRI), the United Nations' Global Compact and ISO 26000, which are international standards for reporting and information.

### Why:

This report is part of a voluntary approach for dialogue and progress, in line with the Schneider Sustainability Impact, our new wider and more ambitious instrument for measuring our sustainability commitments, to drive the Group's transformation each day.

### When and where:

This report covers the 2018 fiscal year (January 1 to December 31, 2018) and the Group's entities consolidated in the financial scope. It is available in both French and English from May 2019.

### Changes to the report:

This fourth integrated report follows on from the integrated reports published by the Group since 2015. With a focus on continuous improvement, this latest report provides an even clearer presentation of Schneider Electric's business model by giving an overview of the Group, its businesses and the resulting sustainable and responsible value creation.

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## Award-winning ESG performance

### DJSI World and Europe

2<sup>nd</sup> place in its industry

### CDP Climate A list

"A" rating for the 8<sup>th</sup> consecutive year

Sustainalytics Leader  
Vigeo Eiris Industry Leader  
Oekom Industry Leader  
MSCI Industry Leader  
1<sup>st</sup> in its sector

Equileap Gender Equality  
Global Report and Ranking  
One of the 15 companies worldwide with the highest level of workplace gender equality

### FTSE4Good

FTSE4Good Developed, Europe, FTSE Environmental Opportunities and FTSE EO Energy Efficiency indices

### Carbon Clean 200 list

Ranked 3<sup>rd</sup> company in the world based on revenues in support of the energy transition

### Ethisphere

One of the 128 most ethical companies for the 9<sup>th</sup> consecutive year

### Gartner Supply Chain Top 25

17<sup>th</sup> place for its exemplary value chain management

### Carbon Clear (EcoAct)

Top company in the CAC40 in the fight against climate change

### The Circulars 2019

1<sup>st</sup> prize for the circular economy, in the Multinational category

### Global 100

Among the 100 most sustainable companies for the 7<sup>th</sup> year running  
3<sup>rd</sup> in its sector

### Ipreo SRI Leaders Index Spring 2018

5<sup>th</sup> global company with the most SRI funds in its capital



Schneider Electric provides its customers with products and services supporting the global energy transition and digital transformation. Thanks to integrated and digital solutions, Schneider Electric is committed to taking concrete action to improve its customers' energy and environmental performance.

In 2018, Schneider Electric accelerated the implementation of its strategy. Our financial results set new records in terms of net income, EBITA and earnings per share, while the progress made with the Schneider Sustainability Impact (target of 5/10 exceeded with 6.1/10) confirms the Group's ambition to achieve the United Nations' Sustainable Development Goals.

Following several years of integration, we are finalizing the consolidation of our activities within two core businesses: Energy Management and Industrial Automation. Our results for 2018 reflect the relevance of this strategic transformation, to provide our customers with complete digital solutions generating more efficiency and sustainability, while supporting the global energy transition and digital transformation, moving towards a more electric, decarbonized, digital and decentralized model.

Schneider Electric wants this low-carbon energy transition to be a fair transition. That is why we are positioning ourselves as a strong player for the transition, embracing the social and societal stakes at the highest level, to ensure better access to energy for all. We are committed to empowering our employees to fulfill their potential, because they are the ones who make Schneider Electric a great company. Within a committed ecosystem, we are constantly innovating and surrounding ourselves with the best partners, within a dynamic approach for shared progress. Our EcoStruxure™ platform illustrates our technological leadership and proven added value for our customers.

Schneider Electric's numerous awards each year and its leading position in the main ESG indices confirm that we are moving in the right direction. These achievements represent the key drivers for our growth and must benefit all our stakeholders. We aim to continue improving our profitability, while accelerating the setting-up of our improvement plans to meet the challenges relating to climate change, biodiversity, development and health. That is why we joined the United Nations Global Compact's LEAD group in 2018, with this initiative grouping together 34 companies with the strongest commitments to implementing the Ten Principles of the Global Compact.

With this fourth integrated report, we are inviting you to discover our vision for a new energy world, our commitments and our achievements supporting sustainable and shared growth.

**Leonid Mukhamedov,**  
Chief Strategy Officer  
Schneider Electric



**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



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

### Our value creation

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

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

\* Of Schneider Electric's revenues.

#### 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

**3.2**

million training hours

#### Products and Services serving the Energy Transition

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

**51**

million metric tons of CO<sub>2</sub> saved on our customers' end, thanks to our EcoStruxure™ offers

**43,572**

metric tons of 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 microgrids 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

**25,720**

€ million revenue

**2,334**

€ million net income

# Market trends opening up opportunities

Our world is continuing to transform, driven by two key trends with electrification and digitization. These trends have led to a major transition in the energy world, by further strengthening digitization and encouraging electricity consumption, while promoting the decentralization and decarbonization of energy generation.

A world more ... **Electric**

**Trend**

Electricity is the main source of energy for modern development. In an increasingly connected world, modern applications, devices and IT systems are all powered by electricity. Demand for electricity is continuing to grow, thanks in particular to global urbanization, the industrialization of new economies and the digitization of businesses and society. However, almost one in every seven people still does not have access to electricity, and – in developing countries – the situation still shows major contrasts between urban and rural areas. Electricity, an efficient and flexible source of energy, is the primary vector for decarbonization today, with renewable energies.

**Challenges for our customers**

The demand side is now the center of gravity of the new power system, creating a multitude of opportunities:

- Access to energy for all
- Development of new infrastructures
- Growing consumer awareness of the new energy paradigm
- Demand for more reliable, more resilient and more efficient networks.

**Opportunities and our responses**

Schneider Electric is leading the way forward to meet the network's new needs, as well as demand, thanks to its innovative approach to integrated energy management and industrial automation.

- Vast portfolio of energy management solutions
- Promotion of energy efficiency on all markets
- Access to Energy program and rural electrification solutions.

**80%**

increase in energy consumption for the industrial sector with the industrialization of new economies by 2040<sup>(1)</sup>

**60%**

increase in demand for electricity by 2040<sup>(2)</sup>

<sup>(1)</sup> Bloomberg New Energy Finance.

<sup>(2)</sup> IEA, World Energy Outlook 2016.

A world more ... **Digital**

**Trend**

The digital transformation is changing day-to-day life for our customers and contributing to the emergence of innovative and sustainable new business models. As industries transform to become increasingly digital, the Internet of Things (IoT) and digital tools are bringing down the traditional barriers between investment and operations and helping manage installation life cycles effectively.

**Challenges for our customers**

The increase in connectivity is redefining the industrial and commercial equation for our customers and creating new requirements for controlling and optimizing consumption and processes:

- Search for smart, connected products, open to integration
- New ways of working, especially with online platforms and tools
- Complete digital experience expected by companies and their suppliers.

**Opportunities and our responses**

Schneider Electric aims to provide its customers and partners with an unrivaled digital experience. Through EcoStruxure™, the Group offers a comprehensive response to the need to strengthen digital capabilities for its partners and customers:

- A customized and digital customer service experience from the design phase to operations and maintenance
- A comprehensive and open software portfolio offering an unmatched set of solutions covering all aspects of digital asset management, from process simulation to design, construction and manufacturing operations
- Secure connectivity integrated into products to help customers benefit from the value of their data, while preventing cyber attack risks.

**+125bn**

internet-connected devices, with 20x more devices than people connected by 2030<sup>(3)</sup>

<sup>(3)</sup> IHS.

**+2 pts**

annual increase in global productivity over the next 10 years<sup>(4)</sup>

<sup>(4)</sup> McKinsey.

**Trend**

The major challenges for the 21<sup>st</sup> century include climate change and the need to reduce CO<sub>2</sub> emissions. Schneider Electric works for sectors that account for the majority of global energy consumption. Energy consumption is not always optimized, which makes it one of the largest sources of CO<sub>2</sub> emissions.

**Challenges for our customers**

The energy transition that is underway requires products and solutions that enable companies to adopt more sustainable and efficient energy profiles. Demand for reliable and profitable decarbonized energy solutions is increasing:

- Global awareness of environmental and societal issues
- Actions to address global warming
- Increasingly competitive energy production costs.

**Opportunities and our responses**

We are responding to climate risk and the drastic change in energy production and consumption methods by offering our customers smart solutions that consume a smaller quantity of resources:

- Automation solutions that help save up to 30% of a building's energy needs
- Provision of IoT solutions for the plants and machines sector
- Renewable energy purchases and EHS services
- Reduction of the energy gap.

**30%+**

local energy generation on the main markets by 2030<sup>(1)</sup>

**3x**

more energy efficiency needed to resolve the climate challenge by 2040

<sup>(1)</sup> Bloomberg New Energy Finance.

**Trend**

The energy transition is transforming the way energy is produced. Previously centralized, today energy is also produced at the heart of regions, within smaller local structures, combining renewable energies, energy storage and microgrids.

**Challenges for our customers**

Growth in demand for energy solutions is resulting in increased demand-side flexibility and a desire among end-users to control and optimize their consumption:

- Energy efficiency and reduced energy consumption
- Greening of the energy mix through onsite solutions
- Search for infrastructures and offers adapted for various energy generation systems coexisting.

**Opportunities and our responses**

Our advanced digital solutions and services enable all players across the electricity value chain, from producers to prosumers and consumers, to operate efficiently in a decentralized environment:

- Development of digital microgrid solutions
- Consulting on energy supply strategies.

**10bn**

metric tons of CO<sub>2</sub> saved, thanks to decarbonization by 2040<sup>(1)</sup>

**70%**

of new energy capacities in rural areas linked to renewable energies

<sup>(1)</sup> Bloomberg New Energy Finance.

# Ensuring effective control over risks to better capitalize on opportunities

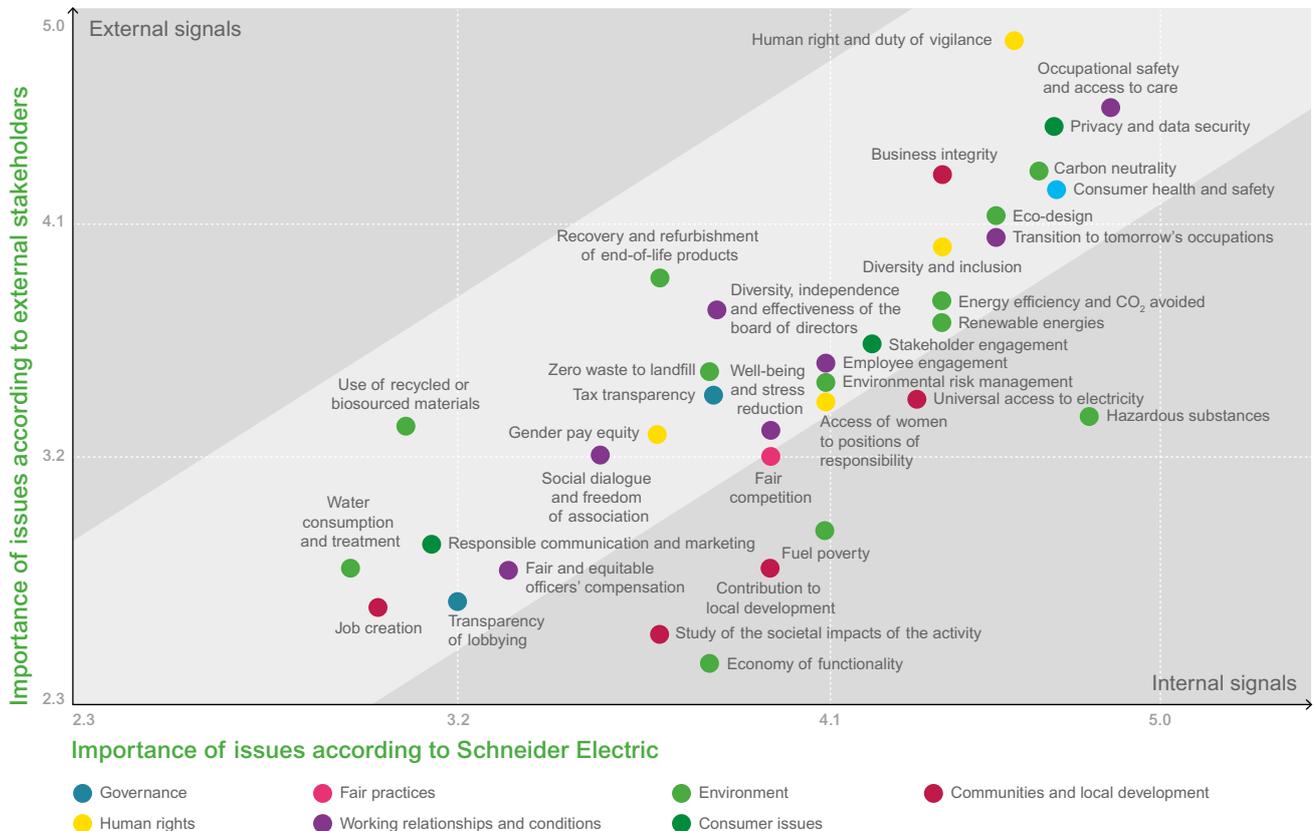
Schneider Electric is strategically positioned to capitalize on the current challenges in terms of energy and climate change. To capture opportunities for growth and development in line with market trends, the Group ensures the robust and dynamic management of corresponding risks, identified through an effective system and an approach to ensure it is open to its ecosystem’s weak signals.

## Key stakes for our ecosystem

To consolidate relationships with its stakeholders and keep regularly informed of their expectations, Schneider Electric once again carried out its materiality analysis<sup>(1)</sup> in 2017, surveying external stakeholders (customers, suppliers, international organizations, industry federations, experts, shareholders, members of the Board of Directors, etc.), the European Committee as well as the Group’s senior executives and managers (businesses, countries and central functions).

Participants were asked to assess the significance of each issue based on a quantitative scoring scale. They were then interviewed to get a qualitative assessment and justify the scores given. This initiative has made it possible to rank the Group’s challenges based on their importance for stakeholders and their impact on its businesses, based on a quantitative scoring scale and qualitative assessment. Six challenges have been 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.

<sup>(1)</sup> Definition based on the AA1000 Assurance Standard materiality principle and the GRI standards reporting guidelines.



**Learn more: 2018 Integrated Report**

– Our business model →

**Learn more: Registration Document 2018**

– Chapter 1 – Sections 6 and 7 →

## Key risks and their management

As an energy sector operator, Schneider Electric is exposed to different types of risks, linked to energy challenges, reducing carbon emissions and adapting to climate change. These risks might affect its businesses or results. Because customers' confidence and performance are dependent on our ability to manage these risks, we have put in place an effective, coordinated framework to manage them.

Each year, Schneider Electric maps its risks at Group level, enabling it to identify all the company's risks, and presents this to the Executive Committee. The risks are ranked based on their impact, likelihood of occurrence and level of control by the Group.

The following table presents a selection of the main non-financial risks identified as part of the Group's Extra-financial Performance Declaration, in line with a methodology for assessment based on a range of internal and external tools.

Description of the risk for Schneider Electric	Key policies and actions implemented
<p><b>Circular economy and environmental regulations</b> The use of resources upstream from its value chain (energy, raw materials) and their treatment (waste and end of product lives), as well as the use of its products and the potential environmental impact of the Group's sites represent risks in terms of legal costs, reputation or health and safety.</p>	<p>Products, services and solutions that help its customers to reduce their energy consumption and CO<sub>2</sub> emissions, with a circular focus:</p> <ul style="list-style-type: none"> <li>• Circular ECOFIT™ offerings and collection systems</li> <li>• Circular supply chain</li> <li>• Circular economy strategy</li> <li>• Portfolio of Green Premium™ offerings</li> <li>• Targets from the Schneider Sustainability Impact's climate and circular economy pillar</li> </ul>
<p><b>Climate</b> As a global operator, the Group is exposed to physical and transition risks linked to climate change (strengthening of regulations, risks of damage to property and people, increasingly scarce resources, etc.), which may impact its supply chain, its own activities and its customers' expectations.</p>	<p>Solutions and activities aiming to mitigate, adapt and improve resilience to climate change:</p> <ul style="list-style-type: none"> <li>• Energy policy</li> <li>• Climate strategy targeting carbon neutrality</li> <li>• Schneider Energy Action and Smart Factory programs</li> <li>• RE100, EP100 and SBT commitments</li> <li>• Portfolio of Green Premium™ offerings</li> <li>• Energy and Sustainability Services offering</li> <li>• Targets from the Schneider Sustainability Impact's climate and circular economy pillar</li> </ul>
<p><b>Recruitment and skills</b> The Group's success depends on its ability to attract and retain the best talents, while ensuring compliance with new recruitment-related regulations.</p>	<p>Numerous global programs to offer a satisfying workplace environment:</p> <ul style="list-style-type: none"> <li>• Go Green in the City program</li> <li>• Global deployment of the onboarding procedure and platform</li> <li>• Career development and learning</li> <li>• Targets from the Schneider Sustainability Impact's health and equity pillar</li> </ul>
<p><b>Workplace health and safety</b> The Group is exposed to the risk of disengagement among its employees, which could impact the Group's financial results, as well as the risks of injury or illness for employees.</p>	<p>Particularly strong focus on the lives of its employees, customers and subcontractors:</p> <ul style="list-style-type: none"> <li>• Global family leave policy</li> <li>• Global anti-harassment policy</li> <li>• Comprehensive wellbeing program</li> <li>• Safety strategy</li> <li>• Targets from the Schneider Sustainability Impact's health and equity pillar</li> </ul>
<p><b>Gender equity</b> Schneider Electric acknowledges the need to offer equal opportunities for everyone, everywhere. The Group believes that Diversity &amp; Inclusion is a business imperative as greater engagement, performance, and innovation is generated through diversity of people, and of environmental inclusion.</p>	<p>Strict gender equity policy:</p> <ul style="list-style-type: none"> <li>• Recruitment of women and representation of women in leadership positions</li> <li>• Pay Equity Framework</li> <li>• Diversity and Inclusion Board to promote gender equity at executive level</li> <li>• Targets from the Schneider Sustainability Impact's health and equity pillar</li> </ul>
<p><b>Anti-corruption</b> Corruption risks could have a financial, legal and reputation impact for the Group. Schneider Electric applies a zero-tolerance policy towards corruption and other unethical practices and considers that "doing things right" is a key value-creation driver for all its stakeholders.</p>	<p>Zero-tolerance policy towards corruption and other unethical business practices:</p> <ul style="list-style-type: none"> <li>• Principles of Responsibility</li> <li>• Effective global anti-corruption policy, including whistleblowing systems</li> <li>• Anti-corruption code of conduct</li> <li>• Conflict Minerals Compliance Program</li> <li>• Targets from the Schneider Sustainability Impact's ethics pillars</li> </ul>
<p><b>Human rights and duty of vigilance</b> The Group may face risks of infringements of human rights and fundamental freedoms, serious injury, environmental damage or health and safety risks within its supply chain.</p>	<p>Best practices for business ethics:</p> <ul style="list-style-type: none"> <li>• Duty of vigilance in relation to suppliers and subcontractors, capitalizing on membership of the Responsible Business Alliance (RBA)</li> <li>• Duty of vigilance in relation to customers</li> <li>• Conflict Minerals Compliance Program</li> <li>• Targets from the Schneider Sustainability Impact's ethics and development pillars</li> </ul>
<p><b>Changes in investor expectations (SRI)</b> Finance players are increasingly looking at the sustainability impact of their investment decisions, and favor companies demonstrating strong sustainability leadership. Schneider Electric faces the challenge to keep attracting those investors.</p>	<p>Public commitment and monitoring of its sustainability goals, actions and performance:</p> <ul style="list-style-type: none"> <li>• Schneider Sustainability Impact program and inclusion in the main ESG indices</li> <li>• Engagement with key stakeholders to identify material sustainability topics</li> <li>• Reporting framework aligned with international standards (United Nations Global Compact, ISO 26000, GRI, SASB, TCFD)</li> </ul>

### Learn more: 2018 Integrated Report

- Our strategy, commitments and goals – Schneider Sustainability Impact →
- Our value creation →

### Learn more: Registration Document 2018

- Chapter 1 – Sections 6 and 7 →
- Chapter 2 – Section 2.1.1 →

# Strategy supporting technologies for the energy transition and the climate

Schneider Electric is strategically positioned to meet the challenges facing its ecosystem and the needs of its customers and partners, thanks to its innovative integrated energy management and industrial automation approach.

## Strategy capitalizing on market opportunities



### Driving the world's digital energy transition

We drive the energy transition by providing products and solutions for active energy management to homes, buildings, data centers, infrastructures, industrial facilities and for remote communities. Our advanced digital solutions and services enable all players across the electricity value chain to operate efficiently in a decentralized environment.



### The only full range of automation solutions with integrated energy management

We provide complete IIoT\* solutions for continuous and hybrid process industries, with integrated solutions that promote operational efficiency and energy management. The digital services are further strengthening our automation solutions and increasing the productivity of assets and operators, delivering improved performance levels across the company.

\*Industrial Internet of Things.



### Driving the digital transformation of customers and partners through our unique ecosystem

With the EcoStruxure™ ecosystem, we provide a complete response to the challenges of the digital transformation for our partner network, the industry's largest. We facilitate exchanges between our partners, across the value chain, by bringing them on to our open platform and integrating them into a digitally-enabled ecosystem.



### Building a full range of offerings to meet the needs of our partners and customers

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

## A world more: Electric | Digital | Decarbonized | Decentralized

Learn more: [2018 Integrated Report](#)

– Our value creation →

Learn more: [Registration Document 2018](#)

– Chapter 1 – Section 1 →

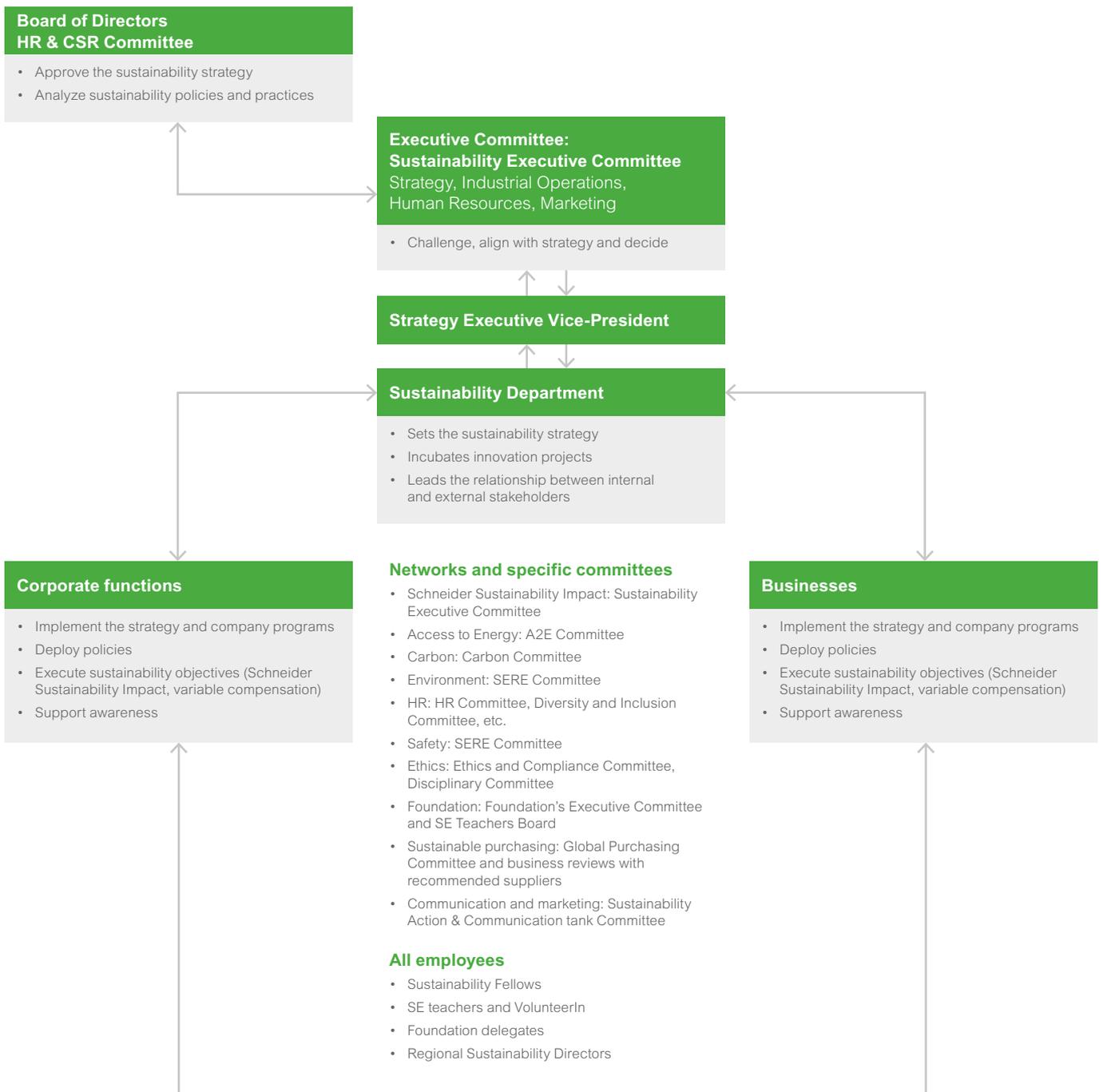
## Sustainability at the heart of our strategy

In the 21<sup>st</sup> century, our society faces its biggest ever challenge: achieving an in-depth transformation of our model for economic growth, at the risk of irreversible changes in our ecosystem. While global greenhouse gas emission levels are continuing to rise, the devastating effects of these changes can already be seen.

In this environment, our mission is helping meet the energy challenge, while providing the best possible bespoke customer experience and integrating sustainability at each stage. To achieve this, the Group provides innovative solutions to support the global energy transition and overcome the energy paradox: balancing our planet's carbon footprint with the irrefutable human right to quality energy.

## Integrated and transversal sustainability governance

Guided by its governance bodies, Schneider Electric has been rolling out sustainability throughout its organization for several years, targeting its complete, transversal integration. Interacting daily with the various decision-making levels within the Group, the Sustainability Department maps out and implements the dedicated strategy, while coordinating relationships between the internal and external stakeholders.



# Our strategic roadmap

To ensure responsible growth and a sustainable future, Schneider Electric has drawn up a medium-term strategic roadmap. Combined with a transformation plan, its implementation is supported by ambitious financial and non-financial commitments and objectives looking ahead to 2020, closely overseen by the governance bodies. Looking beyond this, the Group's actions and solutions are helping limit global warming to 2°C in line with the Paris Agreement. For Schneider Electric, sustainability is a concrete pillar for growth.

## 2018-2020



The Schneider Sustainability Impact 2018-2020 is the transformation plan and management tool for regularly measuring progress with sustainability in order to achieve its long-term ambitions and meet the UN Sustainable Development Goals (SDGs). Schneider Electric is committed to contributing to the 17 Goals through its businesses and its five key challenges for sustainability: climate, circular economy, health and equity, ethics and development.



Megatrends and SDGs	Indicator	2018 results
<b>Climate</b> 7 9 11 12 13 17	80% renewable electricity	30%▲
	10% CO <sub>2</sub> efficiency in transportation	(1.8%)▲
	120 million metric tons of CO <sub>2</sub> saved on our customers' end, thanks to our EcoStruxure™ offers	51▲
	25% increase in turnover for our Energy & Sustainability Services	13.8%▲
<b>Circular economy</b> 6 8 9 12 13 14 15 17	75% of sales under our new Green Premium™ program	45.7%▲
	200 sites labeled Towards zero waste to landfill	178▲
	100% cardboard and pallets for transport packing from recycled or certified sources	61.6%▲
	120,000 metric tons of avoided primary resource consumption through ECOFIT™, recycling and take-back programs	43,572▲
<b>Health and Equity</b> 3 5 8 10 16 17	70% scored in our Employee Engagement Index	67%▲
	0.88 medical incident per million hours worked	0.94▲
	90% of employees have access to a comprehensive well-being at work program	20%▲
	100% of employees are working in countries that have fully deployed our Family Leave policy	75%▲
	100% of workers are doing at least 15 hours of learning in the year, and 30% of the workers' learning hours are done digitally	57%▲
	90% of white collars have individual development plans	78%▲
	95% of employees are working in a country with commitment and process in place to achieve gender pay equity	92%▲
	5.5 pts/100 increase in average score of ISO 26000 assessment for our strategic suppliers	1.80▲
<b>Ethics</b> 1 3 5 6 8 10 12 14 16 17	350 suppliers under Human Rights & Environment vigilance received specific on premise assessment	155▲
	100% of sales, procurement, and finance employees trained every year on anti-corruption	68.6%▲
	<b>Development</b> 1 2 3 4 6 7 8 10 11 12 13 15 17	x4 turnover of our Access to Energy program
	400,000 underprivileged people trained in energy management	196,162▲
	15,000 volunteering days, thanks to our VolunteerIn global platform	5,691▲

▲ Indicators audited by an independent third party.

In 2018, the Schneider Sustainability Impact 2018-2020 exceeded the target of 5/10 with a score of 6.1/10.

## Focus on our financial objectives

Initiatives	Indicators and objectives across the economic cycle	2018 results	2017 results
<b>Average organic revenue growth</b>	3% to 6% across the cycle	<b>6.6%</b>	+3.2%
<b>Adjusted EBITA</b>	Margin between 13% and 17% of revenues	<b>15.1%</b>	14.8%
<b>Cash conversion</b>	~100% of net income converted into free cash flow	<b>90%</b>	105%
<b>ROCE</b>	Between 11% and 15%	<b>11.8%</b>	12%
<b>Dividend</b>	Payout ~50% of net income	<b>c.51%</b>	c.52%
<b>Capital structure</b>	Retain a strong investment grade credit rating	<b>A-/BBB+</b>	A-/BBB+

With growth in revenues, the implementation of our strategy was ramped up in 2018, supported by our offering of complete solutions and products incorporating all our technologies, as well as our targeted development on systems, through our extensive partner network. In 2018, we improved the margin for our two Energy Management and Industrial Automation businesses, and achieved record levels of net income and earnings per share, while increasing our investments in R&D, services and digital capabilities. Lastly, we continued to optimize our portfolio, while strengthening our presence in energy management, with the acquisition of AVEVA and IGE+XAO in our software business and ASCO Power.

In 2019, the Group is targeting:

- Strong organic growth of Adjusted EBITA, around the high-end of the +4% to +7% bracket earlier communicated as the average yearly objective for 2017-2019
- Organic top line growth in revenues between +3% to +5%
- An organic adjusted EBITA margin expansion toward the upper end of the +20bps to +50bps range targeted as yearly average improvement for 2017-2019
- Outlook for margin within three years.

### 2025

- Facilitate access to lighting and communication with low-carbon solutions for 50 million underprivileged people (2009-2025)
- Train 1 million underprivileged people worldwide in energy management (2009-2025)
- Support 10,000 entrepreneurs in underprivileged countries (2017-2025)
- Eliminate SF6 from Schneider Electric products (2015-2025)
- Invest €10 billion in innovation and R&D for sustainability in 10 years (2015-2025)



### 2030

- Achieve carbon neutrality in our extended supply chain
- Use 100% renewable electricity in our energy mix (2018-2030)
- Continue our energy consumption reduction initiated in 2005 on Group sites by doubling our energy productivity (2005-2030)
- Use 100% of packaging from recycled or certified sources (2018-2030)
- Recover 100% of our industrial waste (2015-2030)



### 2050

- Cut our CO<sub>2</sub> emissions by more than 60% in absolute terms from 2017 for scopes 1 and 2
- Contribute to initiatives for sustainable business such as the United Nations Global Compact



# Culture of innovation supporting sustainability

At Schneider Electric, we believe that innovation is a fundamental prerequisite for long-term growth. Our range of products and solutions, realigned around our two Energy Management and Industrial Automation businesses, enable our customers to effectively combine profitable growth and sustainability.

## EcoStruxure™, a unique architecture and platform for improving energy management and efficiency and offering an unrivaled digital experience for our customers

We have developed a unique portfolio of products and solutions for energy management in homes, buildings, data centers, infrastructures and industrial facilities. Through EcoStruxure™, Schneider Electric offers a comprehensive response to the need to strengthen digital capabilities for its partners and customers. Covering six areas (building, power, IT, plant and machine, platform and grid), EcoStruxure™ represents a unique high added value ecosystem, bringing together a platform (complete, open architecture for each area), sector expertise, a community and life cycle tools.

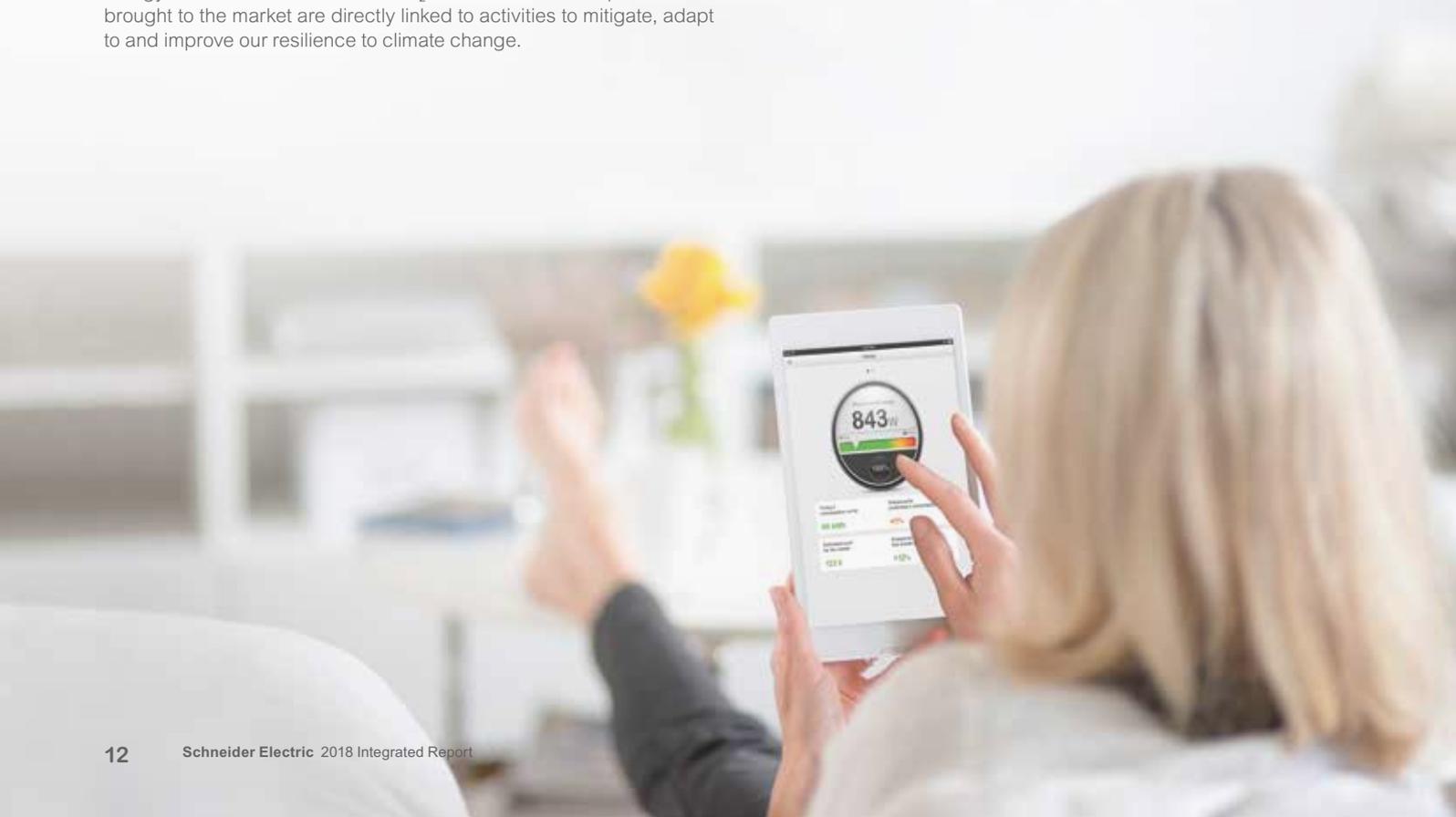
## Smart solutions and products to generate more efficiency and sustainability

Schneider Electric is committed to reducing its own impact and offering products, services and solutions that help its customers to be more energy efficient and reduce their CO<sub>2</sub> emissions. The Group's solutions brought to the market are directly linked to activities to mitigate, adapt to and improve our resilience to climate change.

To show this positive effect, a new indicator was introduced in 2018 to quantify the CO<sub>2</sub> savings achieved by customers. This year, Schneider Electric's solutions enabled its customers to save 51 million metric tons of CO<sub>2</sub> equivalent emissions.

In 2018, Schneider Electric rolled out its new Green Premium™ program, which aims to provide more environmental added value, across an extended portfolio (products, services, software), with an even more customer-centric approach, to factor in the specific features of market segments and meet the growing expectations for environmental performance.

Schneider Electric designs its connected products with the ecoDesign way tool, which makes it possible to deliver Green Premium™ environmental performance levels in terms of resource efficiency, respect for well-being and reduced carbon footprint. This year, the Group further strengthened training for project teams and launched a review to activate the eco-design approach further upstream to ensure that reducing environmental impacts is a core focus within its innovation approach.



Concrete solutions adapted for all our markets

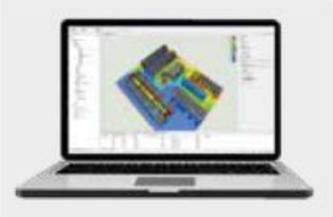


Building	Data center	Industry	Network
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Apps, analytics and services

 <p><b>EcoStruxure™ Building Advisor</b> Leverage predictive technology solutions and data to increase energy consumption savings and improve reliability</p>	 <p><b>EcoStruxure™ Asset Advisor</b> Anticipate and address issues before they become critical incidents with this 24/7, data-driven, predictive service</p>	 <p><b>Cybersecurity services</b> Provide a complete range of evaluation, planification, policies management, and defense methods to counter threats</p>	 <p><b>EcoStruxure™ ADMS</b> Become a next-generation energy manager by enabling safer, more reliable, and efficient energy management</p>
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Edge control

 <p><b>EcoStruxure™ Building Operation software</b> Integrate monitoring, control and management, as well as improve operations with data collection and analysis</p>	 <p><b>EcoStruxure™ IT Expert</b> Gain visibility and monitoring from anywhere with direct access from any computer or mobile device</p>	 <p><b>Modicon M580 PLC (programmable logic controller)</b> Drive productivity and boost performance with the first PLC with built-in, cybersecure and Ethernet capabilities</p>	 <p><b>EcoStruxure™ Substation Operation</b> Enable re-thinking the design, operation, and maintenance of electrical installations</p>
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Connected products

 <p><b>Masterpact MTZ air circuit breaker</b> Improve performance, power uptime, reliability, and efficiency through new digital capabilities</p>	 <p><b>Galaxy VX 3-phase UPS</b> Protect the uptime of large facilities, data centers and business-critical applications with this scalable UPS</p>	 <p><b>Altivar Process variable speed drive</b> Reduce OpEx and drive energy consumption savings with this service-oriented variable speed drive designed for process and utilities installations</p>	 <p><b>Easergy T300 remote terminal unit for feeder automation</b> Control and monitor with a single solution, from a pole-top device to a large MV/MV or MV/HV substation</p>
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Learn more: Registration Document 2018

- Chapter 1 – Section 4 →
- Chapter 2 – Section 2 →

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

Schneider Electric engages in open and continuous dialogue with each of its stakeholders, at every level throughout the company.



## Unique ecosystem of partners

To share its expertise and develop increasingly innovative and high-performance solutions, Schneider Electric builds partnerships with a wide range of global and local players.

Schneider Electric has developed the industry's largest network of distributors and partners, and works with many types of partners, as well as with its end customers. The Group is continually strengthening its local connections and its partnerships in all countries to deliver the best customer experience, while integrating sustainability at every stage.

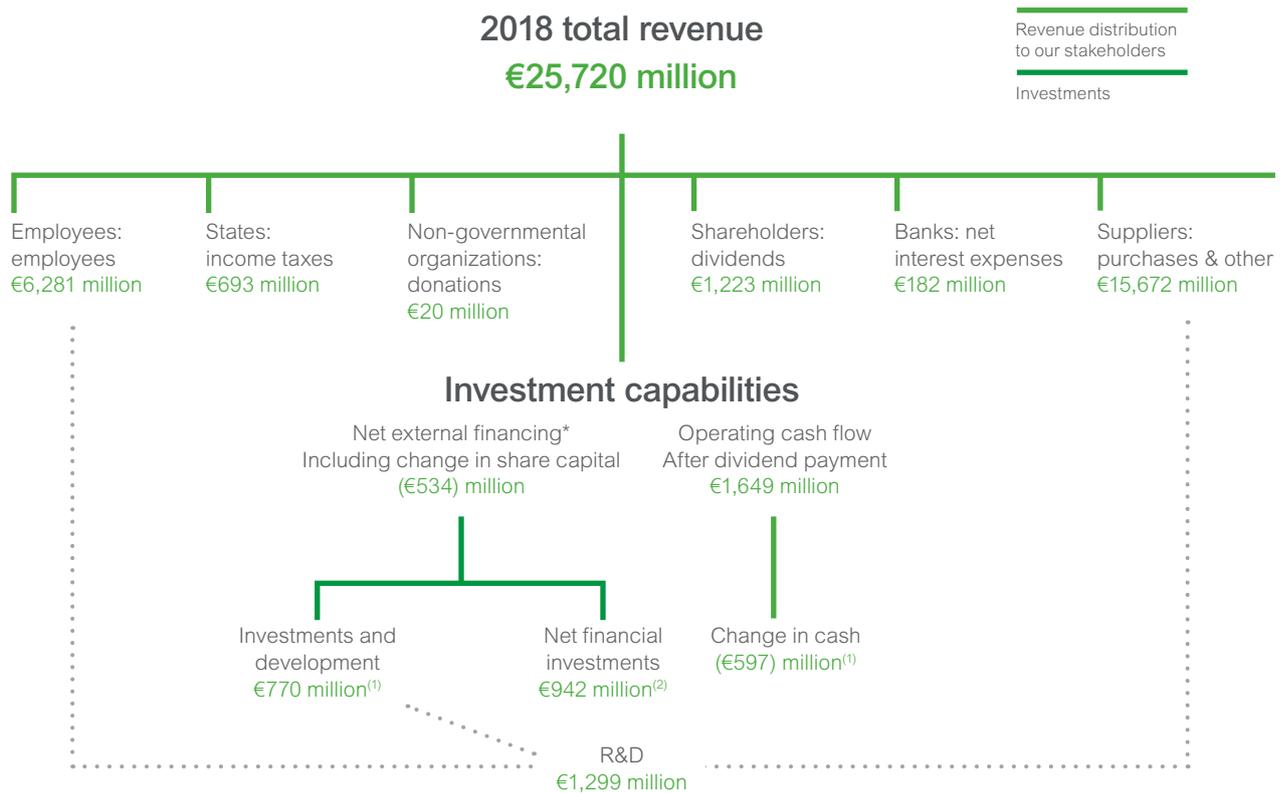
Schneider Electric is committed to collaborating to co-develop innovative digital solutions. For instance, the Group has strengthened its innovation ecosystem by creating Schneider Electric Ventures to identify, develop and support bold ideas.

Schneider Electric is committed to investing €300 million to €500 million over the coming years in incubation projects, partnerships with entrepreneurs and specialized funds.

Alongside this, the Group is involved in various local or international associations and organizations supporting sustainability, working with key players from across society. Schneider Electric confirms its commitment and participation in discussions on challenges related to climate change. To ensure continued progress with the best social and environmental practices, the Group has notably joined the United Nations Global Compact's LEAD group; this global initiative groups together 34 companies with the strongest commitments to implementing the Global Compact's 10 principles.

# Sustainable and responsible growth, shared with our stakeholders

Every year for the last 13 years, Schneider Electric has published a diagram showing its revenue distribution for its various stakeholders. This initiative makes it possible to highlight the importance of each stakeholder from the point of view of financial flows and shows their share in these flows. Schneider Electric is committed to a balanced approach to share the value it creates, combining profitability and responsibility.



\* Borrowings, share issues and sale of treasury stock.

<sup>(1)</sup> Including €315 million in R&D.

<sup>(2)</sup> Including €174 million for long-term pension assets.



# Planet

## Schneider Electric's commitments and priorities

Schneider Electric is committed to the expansion of renewable energies by acting in line with the principles of sustainability in respect of current and future generations. Schneider Electric's response is to reduce its own impact and offer products and services that help its customers reduce their consumption of energy and natural resources and their CO<sub>2</sub> emissions. The solutions Schneider Electric brings to the market are directly linked to activities to mitigate, adapt to and improve resilience to climate change.

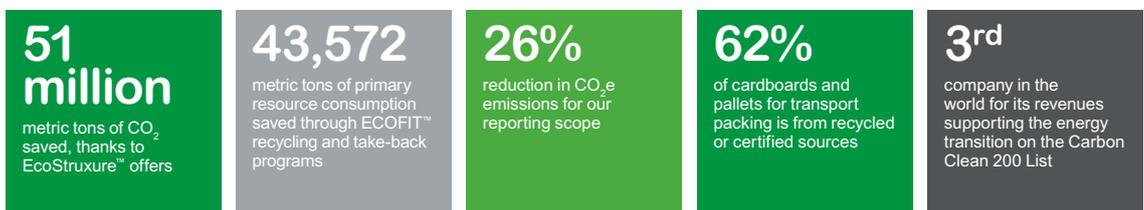
### Value created for the Planet

- **Improved energy and environmental performance of our customers**, thanks to the EcoStruxure™ offers
- **Improvement of the waste recycling program** at all the sites, with 178 sites labeled towards zero waste landfill
- **Carbon neutrality commitment for Schneider Electric's extended supply chain** by 2030 and **more than 60% reduction in CO<sub>2</sub> emissions** by 2050
- **Clear environmental strategy looking ahead to 2020** identifying 15 high-priority initiatives combined with corresponding targets in six areas: CO<sub>2</sub> and resources, greener supply chain, waste as worth, green attributes to our customers, circular economy and governance
- **Schneider Energy Action flagship program** for the continuous reduction of energy consumption at Group sites, with a 30% reduction in energy intensity on operations since 2009

### Highlights

- **Partnership with the Global Footprint Network** to move the date of Earth Overshoot Day
- **The Circulars 2019** award winner in the Multinational category for its commitment to the circular economy
- **Excellent performance for the Schneider Sustainability Impact 2018** on all 21 targets, with one target set for 2018 exceeded
- Contribution to the **French circular economy roadmap (FREC)**
- **Participation in the Science Based Targets initiative** to support the commitment to carbon neutrality in 2030 in its value chain and ecosystem
- **100% of the products in R&D are ecodesigned in line with the Group's ecoDesign Way™ approach:** a methodology that measures improvement in: impact on climate change, particularly CO<sub>2</sub> footprint; consumption of raw materials; reduction in toxic chemical substances; energy efficiency; product "serviceability" (maintenance, repair, recycling, reuse, etc.); circularity enabling end-of-life recycling; and product packaging

### 2018 key figures





# Employees

## Schneider Electric's commitments and priorities

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

### Value created for employees

- **Engaging employees in sustainability with the Sustainability Fellows:** an internal social network platform enabling employees to talk about and gain increased awareness of sustainability challenges and their integration within the Group's strategy
- **New global family leave policy:** since 2017, in all countries, fully paid parental leave (primary and secondary), care leave (for sick/elderly people) and bereavement leave for the death of a close family member
- **Global employee well-being program** and the Well-Being Labs initiative to educate employees through a range of promotional events and workshops at local and global levels
- **Training culture:** the My Learning Link global education platform, which incorporates online training and seminars, social media training, group courses, assessment and complete certification programs
- **Women in leadership:** program to support women's professional development, from which more than 700 women have benefited
- **Inclusive culture:** promotion of diversity, integration policies and practices
- **Gender pay equity plan**

### Highlights

- **2018 award for the Euronext FAS IAS index in the 14<sup>th</sup> Grand Prix de l'Actionariat Salarié**, recognizing the quality of its employee shareholding plan WESOP, with a record participation rate of 45%, covering 52,000 employees worldwide
- **New collective agreement signed between Schneider Electric Industries and France**, setting out concrete ambitions and action plans to strengthen workplace wellness and reject and condemn all forms of discrimination
- **Launch of the Digital DNA** program, which aims to train all employees from the Schneider Digital Department (3,000) to master the fundamentals of the digital transformation for industry
- **Administration of the OneVoice satisfaction and engagement survey:** this tool, which assesses employee engagement and measures motivation factors such as diversity, training, well-being, etc., – helps identify key areas for improvements. The results are analyzed by country and by unit, and there are follow-up feedback sessions in order to continue the dialogue and devise corresponding action plans
- **Rollout of well-being training:** a program of global webinars focused on raising awareness about well-being, discovering and practicing mindfulness, recognizing stress and exhaustion, nutrition, the importance of sleep, attentiveness at work, etc

86%

of employees have benefited from at least one day of training

75%

of employees work in a country where the Group's family leave policy is in place

92%

of employees work in a country with a commitment and process in place to achieve gender pay equity

81%

participation in the OneVoice internal survey (vs 62% in 2011)

67%

scored in our Employee Engagement Index

27.5

hours of training per person on average



# End customers

## Schneider Electric's commitments and priorities

Our mission is to serve our customers by developing innovative products and services that simplify the lives of those who use them. We bring together our expertise and solutions to drive new possibilities for efficiency and savings and to offer our customers safe, reliable, efficient, sustainable and connected energy worldwide. We collaborate and innovate to enable our customers to benefit from personalized, quick and transparent experiences.

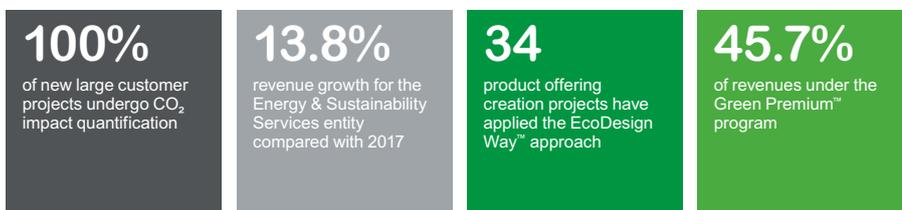
### Value created for end customers

- **Industry-leading partner network** offering a wide range of market-leading products supported by a superior digital customer experience
- **Onsite services** with new digital features, to provide customer with the right information at the right place and right time
- Support for customers with their low-carbon transition through **Energy and Sustainability Services**
- **Large-scale deployment of IoT** (Internet of Things) solutions by EcoStruxure™, which offers greater value in terms of safety, reliability, efficiency, sustainability and connectivity
- **Synergies and cross-selling** between our business segments
- Global education platform offering online e-learning programs to Schneider Electric customers; deployment of the **Partner Relationship Management** (PRM) customer relations platform in 10 countries
- **Dedicated program for the 15,000 multi-site and/or global OEMs** (equipment manufacturers) to enhance their ability to offer superior solutions on an international scale
- Special organization for the **75 international customers** that are categorized as “strategic accounts” based on the “preferred supplier contracts” and exclusive customer support

### Highlights

- **New Green Premium™ program** built around a core regulatory compliance framework and two additional environmental performance attributes or an external label
- **Quantification of CO<sub>2</sub> improvements:** a tool that helps calculate CO<sub>2</sub> impacts and savings on major customer projects, and establish relevant strategies for using the CO<sub>2</sub> calculator commercially
- Schneider Electric's **Innovation Summit World Tour**, bringing together more than 1,500 experts, customers, partners and suppliers
- Schneider Electric transforms its Le Vaudreuil site into a **smart factory showcase using EcoStruxure™ for Industry**

### 2018 key figures





# Intermediary customers

## Schneider Electric's commitments and priorities

40% of Schneider Electric's sales are made through intermediaries such as distributors, systems integrators, contractors and purchasing advisors. The Group is perpetually striving to improve the value it offers them and to boost operational efficiency, while improving the safety and security of the operators and the environment. Customer relations are an important differentiating factor, so every customer relationship with Schneider Electric must be a positive, satisfying experience in terms of reception, attentiveness and responsiveness to needs.

## Value created for intermediary customers

- **Policy of close collaboration with distributors** in terms of supply chain improvement, technical training, support services and joint marketing initiatives, guaranteeing the distribution network's performance
- Provision of a **suite of digital tools** known as Building Life Management to help electricians and DIY stores keep up with the fast pace of changes in residential solutions and technologies
- Sharing of expertise through the **EcoXpert program**, which aims to establish preferred partnerships with contractors that specialize in energy efficiency and renewable energy solutions and services
- **Support** for electricians to achieve greater efficiency through a series of training programs, technical assistance and digital tools such as the "My Schneider Electric" application

## Highlights

- **Launch of a technological strategy and a series of innovative offerings** covering all the businesses: Industrial Automation, Medium Voltage, Low Voltage and Secure Power Management
- **Market leader for advanced electrical distribution management systems by Gartner's Magic Quadrant:** the ADMS (Advanced Distribution Management Systems), electrical distribution network unified management platforms, provide the operators of these networks with numerous capabilities (surveillance, analysis of network performances, incident management, etc.). They are central to the strategy of electrical distributors to optimize their network operations by improving their functioning, speeding up their deployment and reducing operating costs
- Schneider Electric, Danfoss et Somfy create a **Connectivity Ecosystem** for residential, tertiary and hotel markets

**+2,000**

companies in 30 countries, including more than 300 in France, have been awarded the EcoXpert label since 2011

**75**

electricity distributors equipped by Schneider Electric, serving 70 million customers around the world



# Suppliers

## Schneider Electric's commitments and priorities

Developing long-term relationships with our suppliers is just as important as developing their sustainability. We believe that neither party can accomplish anything without the other. Schneider Electric seeks to continually improve the capacity and response time of its supply chain, while boosting its economic and ecological efficiency. The Group has also committed to an ambitious approach that aims to incorporate sustainability challenges into the process of selecting and working with its suppliers.

### Value created for suppliers

- Exchanges on best practices and innovative processes making it possible to **improve customer satisfaction**
- **Support for the Group's suppliers** on issues linked to reducing CO<sub>2</sub> emissions
- **Green Line whistleblowing system** open to all stakeholders, including suppliers, as part of the duty of care
- **Rollout of the "Purchasing Excellence System"** to involve suppliers in the supply chain in order to enhance customer satisfaction
- **Digitization of the supply chain**, capitalizing on new technologies in order to offer new capabilities and increased responsiveness
- **Continuous improvement approach** for suppliers in terms of sustainability according to ISO 26000
- **Co-construction of innovative, integrated offerings** in partnership with R&D teams and the option to take part in the Open Innovation program

### Highlights

- **Global, integrated supply chain**, including more than 200 plants and over 90 distribution centers in 45 countries, which manage 500,000 products and process 140,000 order lines per day
- **Strengthening of supplier risk management** with the Responsible Business Alliance (RBA), an association to promote high standards in areas such as human rights, environmental protection or business ethics
- Organization and participation in the **2018 Global Supplier Day** with nearly 120 suppliers
- Recognition on the **CDP Supplier Engagement Leader Board** for its performances in terms of commitments and support for suppliers in the fight against climate change
- **Supplier risk mapping** carried out
- Nine initiatives carried out to **transform the supply chain from suppliers** through to end customers by 2020
- **Tailored Supply Chain 4.0** initiatives
- Appointment of a **project manager at Global Procurement level** as part of the duty of care

## 2018 key figures





# Civil Society

## Schneider Electric's commitments and priorities

We want to be an eco-citizen company and responsible employer. In new economies, we promote solutions that provide clean and reliable energy to the 992 million people who lack access to electricity. In mature economies, we address the hundreds of millions of people living in energy poverty. Schneider Electric has always been committed to playing an active role in the economic and social development of the communities in which it operates.

### Value created for Civil Society

- **Access to Energy program** aiming to reduce the energy gap in order to improve day-to-day life for people in most of the regions affected by energy poverty. Our efforts are focused on offers and economic models for the electrification of villages and for domestic needs, two investment funds to provide local support for innovative entrepreneurship in energy, and training to address the shortage of local skills
- Multilingual digital platform **VolunteerIn**, including the Schneider Electric Teachers NGO, encouraging the Group's current and retired employees to get involved as volunteers
- **Training for young adults from disadvantaged backgrounds** looking to enter the electricity sector and support for social and informal entrepreneurs in the energy sector

### Highlights

- Launch of the **Villaya Emergency solution to respond to emergency situations**. This solution produces a minimum of 10 kilowatt-hours of electricity, thanks to a system of easy-to-use and easy-to-move photovoltaic panels
- Launch of **two training programs** for careers in electricity for underprivileged people from the Democratic Republic of the Congo (DRC), aiming to train 500 electricians by 2020, in partnership with the Jesuits
- **Entrepreneurship support** program focused on careers in energy in Burkina Faso, in partnership with Initiative France
- Launch of the **Powering Jobs campaign**, aiming to accelerate the deployment of decentralized renewable electrification solutions and meet the urgent need for training in countries where access to energy is limited
- The **Schneider Electric Foundation**, under the aegis of *Fondation de France*, and Ashoka are moving forward with their commitment to tackle energy poverty in Europe, launching a new call for projects for 2019
- Strengthening of the innovation ecosystem with the **creation of Schneider Electric Ventures** in order to identify develop and support bold ideas

196,162

underprivileged people trained in energy management since 2009

5,691

volunteering days, thanks to our VolunteerIn global platform

270

training centers in India, including 9 solar power training centers

300

mentoring hours for the 15 Ashoka/ The Schneider Electric Foundation winners



# Financial partners

## Schneider Electric's commitments and priorities

Schneider Electric aims to create attractive shareholder value over the coming years, grounded in an efficient, stable business model. Profitable growth is a core priority. We are committed to maintaining a close relationship with our shareholders.

### Value created for financial partners

- **Objective of continuing operating margin growth** through two levers, organic revenue growth and organic improvement in the adjusted EBITA margin; target of +4% to +7% average annual organic growth in adjusted EBITA for 2019
- **Improvement in profitability**, thanks to cost efficiency and productivity, the optimization of the business portfolio and the focus on strong added value solutions
- Attractive return for our shareholders, thanks to a **progressive dividend policy**, without a decrease from one year to the next
- **Finalization of the consolidation of activities within two core businesses:** Energy Management, which groups together Medium Voltage, Low Voltage and Secure Power technologies, and Industrial Automation
- Optimization of the portfolio to **further strengthen the core business** and accelerate cross-selling between Medium Voltage and Low Voltage business
- Balanced performance between **financial and non-financial indicators**
- **Strengthening of dialogue with our shareholders and investors**

### Highlights

- +10% **organic growth** in adjusted EBITA; +6.6% organic growth in revenues; +50 bp organic improvement in the adjusted EBITA margin
- The Schneider Sustainability Impact exceeded the target of 5/10 with a score of 6.10/10; **recognized extra-financial performance:** Ranked as the 5<sup>th</sup> global company with the most SRI funds in its capital (397 funds) according to Ipreo (SRI Leaders Index Spring 2018)
- Proposed **dividend** of €2.35 per share, up +7%; share buyback plan underway for €1.5 billion to €2 billion
- **Many interactions with investors:** plants visits including one of our factory of the future in China (Wuhan) and our distribution center in Normandy (France), innovation summit in Atlanta (US), conference on CO<sub>2</sub> emissions saved thanks to our products, presentation of our offers for smart buildings and visits of our connected home
- **Optimization of the portfolio and ongoing asset divestment policy:** up to €2 billion of revenues under strategic review

### 2018 key figures





# Institutions and technical

## Schneider Electric's commitments and priorities

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, and – at the sectoral level – with technical bodies.

### Value created for institutions and technical bodies

- Active participation in the **public debate**, particularly on climate change challenges, during COP24, and adoption of a position on the commitment to achieve carbon neutrality by 2030
- Group's commitment to **helping to accomplish the 17 Sustainable Development Goals (SDGs)**, a universal call to action by the United Nations to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030
- **Advanced level in the Global Compact**, which the Group signed up to in 2002
- Jean-Pascal Tricoire, Schneider Electric's Chairman and CEO and **President of Global Compact France** since 2013, was **appointed to the Board of Directors of the United Nations Global Compact**
- Active participation of 700 experts in **national and international standardization bodies** on economic, social and environmental issues to foster sustainability
- Contribution to **scientific research** and involvement with **academic chairs** and business associations

### Highlights

- **Chairing of the Smart Energy Grid coordination group within the CEN-CENELEC-ETSI** (European Committee for Electrotechnical Standardization – European Telecommunications Standards Institute) to ensure the availability of a suitable set of standards for the development of smart grids in Europe
- **Inclusion in the Climate Group Energy Productivity 100 (EP100) and Renewable Energy 100 (RE100) initiatives**
- **Sustainable Energy For All (SE4All) delivery partner**
- Support for the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**
- **Major contributor to smart manufacturing initiatives** such as the AIF (*Alliance Industrie du Futur*) in France
- **Member of the Council Board and Conformity Assessment Board of the IEC** (International Electrotechnical Commission)
- **Member of the board of the Alliance for IoT Innovation (AIOTI)** European initiative, notably leading the Buildings working group and the IEC working group on cybersecurity compliance assessment

**+20,000**

active patents or in application

**2**

Schneider Electric smart plants recognized as pioneers for the Fourth Industrial Revolution by the World Economic Forum: Vaudreuil site in France and Wuhan in China

# Committed governance for responsible growth

Schneider Electric is committed to doing business ethically, sustainably and responsibly. To achieve this, it is supported by a committed Board of Directors with the expertise required to implement the Group’s growth strategy. Schneider Electric is committed to applying a balanced executive compensation policy, promoting value creation for all its stakeholders.

## Ethics and compliance: crucial challenges for Schneider Electric

Present in over 100 countries with diverse standards, values and practices, Schneider Electric is committed to behaving responsibly in relation to all its stakeholders. Convinced that its responsibility extends beyond compliance with local and international regulations, the Group is committed to doing business ethically, sustainably and responsibly.

Supported by the Group’s values and a dedicated organizational structure and processes, the Principles of Responsibility apply to all our employees and entities around the world. In 2018, the Group launched

an initiative to update them in order to effectively take on board the new challenges and issues facing the company.

In addition, the Ethics and Compliance program provides employees with a method for asking themselves the right questions and turning to the right people, in accordance with a detailed examination process and an whistleblowing procedure so they can be guided to the relevant bodies:

- 1** Contacting their manager
- 2** or: Using existing internal departments (legal, financial, HR, environment, etc.)
- 3** or: Contact the Group Compliance Committee using one of the professional whistleblowing systems (Red Line), accessible via internet or multilingual telephone line

This program’s deployment is based on the implementation of an organizational structure comprising:



Chaired by the Group Human Resources Director, the Disciplinary Committee was set up in 2018. Its role is to rule on serious cases of non-compliance with internal rules, identified by the Group Compliance Committee. This enables it to ensure the consistency and legitimacy of the disciplinary measures adopted.

## Vigilance plan

In line with the Group's strategy and vision, Schneider Electric has been committed to implementing a vigilance plan since 2017. This involves identifying and managing the suppliers that are most exposed to risks in terms of labor practices, health and safety conditions, and the environment. The Group's risk management process is based on a certain number of prevention and control actions, including on premise audits for 300 of these suppliers over three years, chosen according to their level of risk and volume of purchases.

PILLAR 1	PILLAR 2	PILLAR 3
<b>Suppliers and subcontractors</b>	<b>Company and subsidiaries</b>	<b>Customers</b>
Membership in the Responsible Business Alliance (RBA)	Revision, updating and digitization of the existing internal assessment on environment, health and safety rolled out in 2018	Implementation in 2018 of specific due diligence for the Group's customer projects activity
Mapping of the main activities and suppliers considered to represent a risk completed in 2018 with an RBA third-party expert tool	Specific forced labor prevention program maintained	
Planning of prevention and control actions for these suppliers		
Two whistleblowing systems set up: <ul style="list-style-type: none"> <li>• <b>Red Line</b> for employees</li> <li>• <b>Green Line</b> for its external stakeholders since 2018</li> </ul>		
<b>Learn more: Registration Document 2018</b>		
– Chapter 2 – Sections 2.3 and 2.4 →		

## Schneider Electric's commitment to promoting human rights

Looking beyond legislation, Schneider Electric has confirmed its commitment to respecting all internationally recognized human rights, throughout its value chain. Alongside this, the Group is committed to providing its employees with regular communications, training and support to actively promote this policy.

## Monitoring anti-corruption actions to reinforce the Group's commitments regarding business ethics and integrity

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. The Schneider Sustainability Impact includes an anti-corruption indicator.

## Communications and training for all employees

A dedicated Business Integrity Campaign was launched in 2018, covering all the Group's employees. The main actions include: posters for the offices on the internal whistleblowing system and network of local correspondents, e-mailing, internal social network, training programs.

Schneider Electric also launched a compulsory training program on the General Data Protection Regulation (GDPR) and another on cybersecurity.

## 2018 key figures

<b>98.4%</b>	<b>326</b>
of entities passed the internal Ethics & Responsibility assessment by the end of 2018	whistleblowing alerts were received through the Red Line, up 26% from 2017: 18% of them concerned potential breaches of our code of conduct on financial matters; 16% were linked to conflicts of interest; 39% were related to potential discrimination, harassment or unfair treatment cases; the remaining 20% were related to potential infringements of other Schneider Electric policies None of these allegations turned out to be substantiated and proven violations after investigation

## Learn more: Registration Document 2018

– Chapter 2 – Sections 2.5, 2.6 and 2.7 →

## The Board of Directors, a key actor and a guide for the good governance of Schneider Electric

The Board of Directors is a collegial body mandated by all shareholders. It defines the Company's strategic goals, appoints and revokes the Corporate Officers, sets their compensation, selects the form of organization and governance (combination of the duties of Chairman and Chief Executive Officer reversible and revised on an annual basis), and monitors the management as well as the quality of information provided to shareholders and to the markets.

The board held nine meetings in 2018, lasting five hours on average, with an average attendance rate of 95%. They were primarily devoted to discussing the Company's corporate governance, strategy and its implementation, reviewing operations and the annual and interim financial statements, which it approved, and preparing the Annual Shareholders' Meeting.

## Board of Directors

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

**Léo Apotheker**  
Vice-Chairman, Independent Lead Director

- Ensures proper governance
- Helps prepare the agendas for meetings of the Board of Directors
- Meets with shareholders
- Chairs the executive sessions
- Manages the board's self-assessment

### Activity of the Board in 2018

Corporate governance	Strategy and its implementation	Activity and results	Annual Shareholders' Meeting
Composition of the board and its committees – creation of a Group Compliance Committee, succession plan for corporate officers, compensation of Corporate Officers, long-term incentive plan, executive sessions	Follow-up on the execution of the strategic priorities, especially during the Strategy session covering the West Coast of the United States	Business situation, financial statements, risk mapping, monitoring of acquisitions, specific reviews by the Audit and Risk Committee	Agenda, draft resolutions, report for shareholders at the meeting, shareholder questions and answers

## Five study committees

### Audit and Risk Committee – Activity in 2018

- Review of financial statements and financial information
- Risk management control in line with a schedule prepared on the basis of the risk mapping
- Oversight of the internal audit and internal control work
- Review of the statutory auditors' due diligence and their independence
- Review of the dividend distribution policy

### Governance and Remunerations Committee – Activity in 2018

- Composition of the board and its committees
- Classification of the board members with regard to the independence criteria
- Method of exercising senior management
- Review of the succession plan for Corporate Officers
- Compensation of Corporate Officers
- Presentation of the Say on Pay 2017 to the Annual Shareholders' Meeting, as well as the principles and criteria for Corporate Officers' compensation for 2018
- Review of the amounts and distribution rules for attendance fees
- Onboarding and training program for new directors
- Management of the Board of Directors' self-assessment

### Human Resources and CSR Committee – Activity in 2018

- Long-term incentive plan and annual performance share plan
- Review of the compensation, performance and succession plans for members of the Executive Committee
- Review of the talent attraction and retention policy
- Policy for gender diversity and pay equity
- Assessment of the CSR policy, including the Schneider Sustainability Impact

### Investment Committee – Activity in 2018

- Monitoring of investment projects
- Approval of the Investment Committee charter
- Reconfiguration of Schneider Electric's business sector
- Portfolio review

### Digital Committee – Activity in 2018

- Review of the digitization program
- In-depth review of digital offerings and performance indicators
- Review of cybersecurity risks, jointly with the Audit and Risk Committee
- Monetization of the digital business model

### Board of Directors' self-assessment in 2018

In 2018, an internal self-assessment of Schneider Electric's Board of Directors and its committees was carried out looking at their composition and the way they operate.

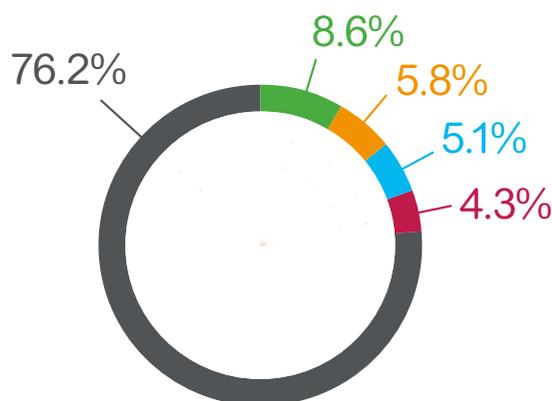
#### Board's strengths

- Effective Board of Directors with balanced governance
- Diversified composition, productive and engaged committees
- Open, transparent management

#### Points for improvement that have been remediated

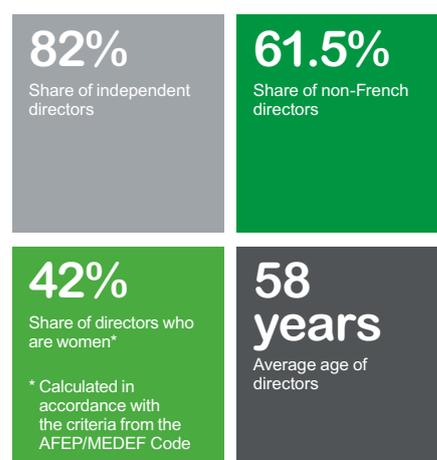
- Setting up the new committees, which are now fully operational
- Systematically organizing executive sessions following each Board of Directors meeting
- Strengthening the onboarding program for new directors

### A diverse shareholding structure reflecting substantial employee investment



- Sun Life Financial, Inc.
- BlackRock, Inc.
- Treasury stock
- Employees
- Public

### 2018 key figures



### Learn more: Registration Document 2018

– Chapter 4 – Sections 1, 2, 3 and 4 →

## Compensation of senior management and employees: criteria aligned with the strategy and sustainability

Schneider Electric aims to recognize each employee’s individual and collective performance through an attractive and inclusive compensation policy. Performance criteria related to sustainability are, in particular, incorporated into the compensation of the senior management and employees.

### General principles of the group’s compensation policy



#### Pay equity

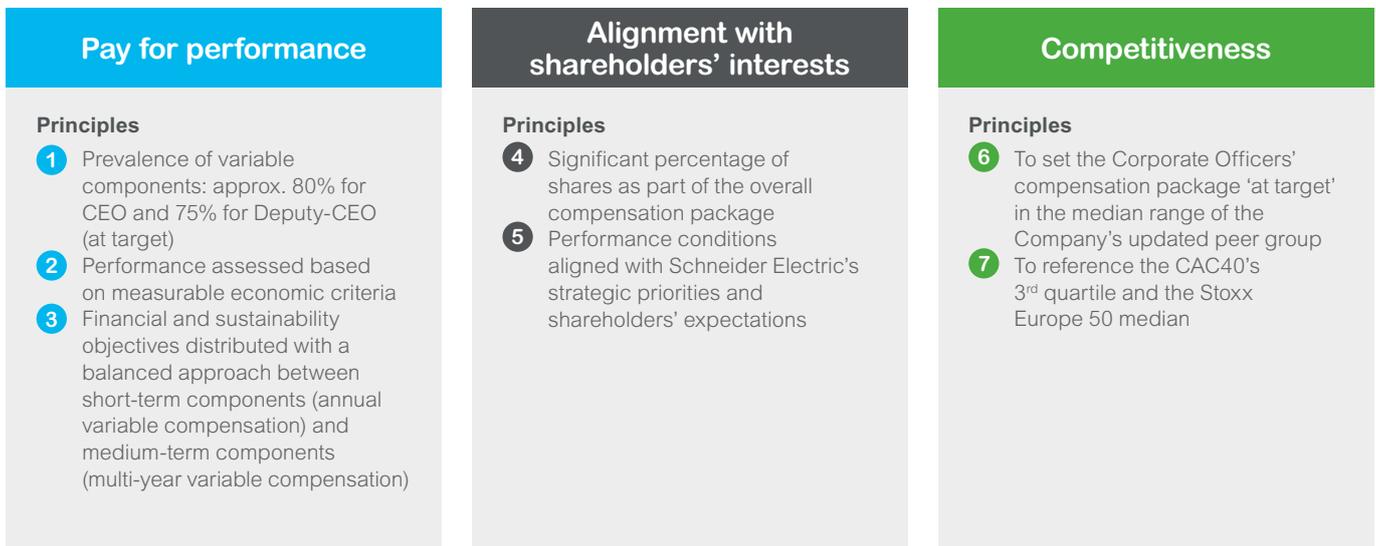
Schneider Electric has developed and rolled out a pay equity framework that measures the percentage of employees working in countries where there is an operational gender pay equity plan and where corrective measures are in place. Schneider Electric uses a common global methodology to identify gender pay gaps within comparable groups of employees and uses a country-driven approach to address gaps with appropriate corrective actions.

#### Sustainability criteria

Since 2011, sustainability components have been added to incentive goals of the Executive Committee. They are directly linked to the Schneider Sustainability Impact targets. 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).

## Compensation of Corporate Officers

The general principles underlying the compensation policy for Corporate Officers and their individual analyses are reviewed by the Governance and Remunerations Committee, who make proposals to the Board of Directors. Executive compensation set by the Board of Directors is aligned with the Group’s global strategy and is based on three pillars divided into seven principles:



**Over the last 11** years, the actual compensation of Jean-Pascal Tricoire, Chairman and CEO, has consistently tracked the trend of shareholder returns in terms of share price and enterprise value

**For 2019** The performance targets and criteria applied for the Group's Corporate Officers will be shared with a large number of managers and executives subject to Group targets, representing around 58,000 employees (versus 7,500 in 2018)

Learn more: [Registration Document 2018](#)

– Chapter 4 – Section 7 →

# Our other publications

## 2018-2019 Schneider Sustainability Report



**Who:**

Customers, employees, journalists, general public, etc.

**What:**

Our actions relating to strategy and sustainability: you will find a lively presentation of our organization, featured business cases, testimonials by people inside and outside the Company, and our vision for the coming years.

**Why:**

Our goal is to engage in a transparent, comprehensive and targeted conversation about our Company, including the voices of our internal and external stakeholders.

## 2018 Financial and Sustainability Annual Report



**Who:**

Experts, investors, shareholders, national authorities.

**What:**

Information regulated by the French Financial Market Authority (AMF), including the annual financial report, the Board of Directors' business review and financial statements as well as information about sustainability and corporate governance.

**Why:**

To provide a detailed snapshot of the Group's strategy, core businesses, governance, performance and strong commitment to sustainability.



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