

Registration Document 2011

Financial and Sustainable Development Annual Report

Registration Document
Schneider Electric SA

In Bangladesh, in the village of Saharial, 40 kilometers away from the capital city Dhaka, Schneider Electric is partnering with Grameen Shakti to provide families with reliable, affordable, and clean energy. It is part of our worldwide effort to help people make the most of their energy.

Schneider
Electric

Message from Jean-Pascal Tricoire	2
Message from Henri Lachmann	4
Interview with Emmanuel Babeau	5
Leadership team	6
Key figures 2011	8
2011 in brief	11

1	Description of the Group, and its strategy, markets and businesses	15
1.	Global specialist in energy management	16
2.	Leader in an industry of the future	21
3.	R&D Strategy	26
4.	Organisational simplicity and efficiency	31
5.	Risk factors	34

2	Sustainable development	43
1.	Sustainable development at the heart of our strategy	44
2.	Green and responsible growth driving economic performance	52
3.	Schneider Electric's Commitment to Environmental Performance	60
4.	Committed to and on behalf of employees	70
5.	Schneider Electric, a responsible corporate citizen	81
6.	Methodology and audit of indicators	90
7.	Indicators	98

3	Corporate governance	107
1.	Supervisory Board**	108
2.	Organisational and operating procedures of the Supervisory Board**	116
3.	Supervisory Board meetings**	117
4.	Supervisory Board committees (members, operating procedures and meetings)**	119
5.	Management Board members	121
6.	Organisational and operating procedures of the Management Board	123
7.	Declarations concerning the situation of the members of the Supervisory Board and Management Board	123
8.	Management interests and compensation	124
9.	Regulated Agreements	132
10.	Internal control and risk management**	133
11.	Application of the AFEP/MEDEF corporate governance guidelines**	141

4	Business review	143
1.	Trends in Schneider Electric's core markets	144
2.	Review of the consolidated financial statements	146
3.	Review of the parent company financial statements	150
4.	Review of subsidiaries	150
5.	Outlook	150

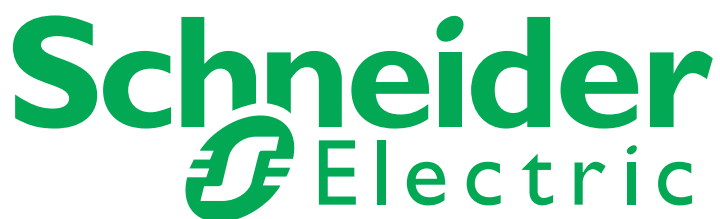
5	Consolidated financial statements	151
1.	Consolidated statement of income	152
2.	Consolidated statement of cash flows	154
3.	Consolidated balance sheet	156
4.	Consolidated statement of changes in equity	158
5.	Notes to the consolidated financial statements	159
6.	Statutory Auditors' report on the consolidated financial statements	217

6	Company financial statements	219
1.	Balance sheet	220
2.	Statement of income	222
3.	Notes to the financial statements	223
4.	Statutory Auditors' report on the financial statements	234
5.	List of securities held at December 31, 2011	235
6.	Subsidiaries and affiliates	236
7.	The Company's financial results over the last five years	238

7	General presentation of Schneider Electric SA	239
1.	General information on the Company	240
2.	Shareholders' rights and obligations	241
3.	Capital	243
4.	Ownership structure	247
5.	Employee profit-sharing, stock ownership	248
6.	Performance share grants and stock option plans	249
7.	Disclosure of information required in accordance with article L.225-100-3 of the French Commercial Code**	255
8.	Stock market data	255
9.	Investor relations	257

8	Annual and Extraordinary Shareholders' Meeting	259
1.	Management Board report	260
2.	Supervisory Board's comments on the Management Board's report, made in accordance with article L.225-68 of the French Commercial Code	264
3.	Auditors' special reports	264
4.	Resolutions	268

Persons responsible for the Registration Document	273
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Registration Document 2011

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

The Business and Sustainable Development Report is available at www.schneider-electric.com, Sustainable Development and Foundation section.



This Registration Document was filed with the *Autorité des Marchés Financiers* on March 22, 2012, in compliance with article 212-13 of the AMF's general regulations. The issuer prepared this document and the signatories are responsible for the information herein.

It may not be used in connection with any financial transactions unless it is accompanied by an Offering Circular approved by the AMF.



> Message from Jean-Pascal Tricoire

PRESIDENT AND CEO

2011 was a defining year for Schneider Electric, a year characterised by strong growth, reactivity to many unexpected external events, an intense deployment of our strategy and the successful closing of the One company programme.

First of all, 2011 was an incredibly busy and meaningful year from an operational point of view. We generated robust organic growth, at 8.3%, reported 14% total growth and changed size. For the first time, our sales exceeded the EUR22 billion mark. This translated into record profits and strong cash generation, particularly in the second half, achieved despite unprecedented headwind of raw material inflation, major disruptions of our supply chain following the tsunami in Japan, the welcomed but faster than expected take-off of solutions in our business portfolio, and the weakening of Europe. We reacted to those events swiftly, proved once again our pricing power, the flexibility and reactivity of our supply chain, the resilience of our cash generation, while developing our Solution business in an aggressive but controlled manner. 2011 performance allows us to propose to our shareholders a dividend of EUR1.70, which represents a payout of 50% of net income.

2011 was also characterized by an intense deployment of our strategy.

We realized strategic investments for organic growth in new economies and solutions. As a result, our presence in new economies grew to about 40% of sales and our solution business to 37% of sales. These growth engines grew three times faster than mature countries and two times faster than products respectively. Our solutions business has been supported by the successful launch of our integrated hardware and software architecture of efficiency, EcoStruxure. In 2012, we'll leverage this key differentiator by releasing our associated core software suite, StruxureWare. This way, we shall provide our customers a radical innovation in the way they design, commission and operate their business while addressing their efficiency issues. In new economies, the success reflects our continuous effort to grow our commercial presence everywhere, to go deeper into the countries, to nurture partnerships and develop offerings totally adapted to the needs of local markets.

We also accelerated the deployment of our strategy by making targeted acquisitions in line with our strategic priorities: develop solutions, grow in new economies and secure market leadership. We completed a few strategic acquisitions in new economies, allowing us to double our size in India, gain significant presence in Brazil and expand our coverage in China. By business, we boosted our expertise in solutions and services, especially with the acquisition of Telvent. We have put in place dedicated teams to execute integration with discipline, building on our proven capabilities to welcome new people & technologies in our Group.

We finalized the construction of a new world leading business in our portfolio, Infrastructure, by integrating the Distribution branch of Areva into Schneider Electric medium voltage division and by acquiring Telvent. Telvent marks a major step of our development in energy management and brings needed capabilities in the field of smart cities, smart grid, critical infrastructure and software. Our new infrastructure business is already a world leader in its field, delivering high synergies and very promising operating results in its first year of integration in Schneider Electric.

We also kept progressing on the development of solutions to save energy and carbon, and to reinforce our Corporate Social Responsibility commitment. We continued to promote the principles of the UN Global Compact within our company and with our suppliers. Our Planet & Society Barometer performance has exceeded its three-year target. Our BipBop programme towards access to energy has enabled us to connect a million households to electricity and train 12,000 underprivileged people in energy management related trades. In the frame of BipBop, we have also launched an impact-investment fund to support local entrepreneurs around energy activities. Our commitment has been recognised by many awards and presence in large sustainability rankings. We were honoured to receive such prestigious awards as the Gigaton Award, the Zayed Future Energy Prize and the Human Capital Trophy. We were also very pleased to be part of the Dow Jones Sustainability Index World, the Carbon Disclosure Project and the Top 100 most sustainable companies in the world. We are very proud of these

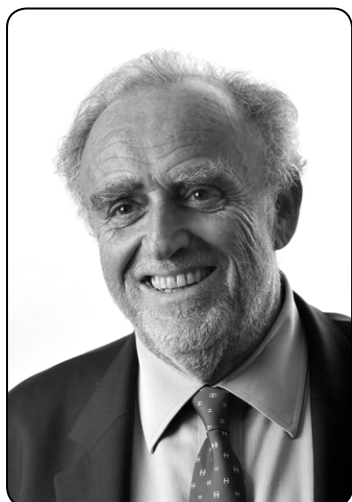
distinctions that are both an achievement and an encouragement to keep on doing better.

2011 was also the year we ended our three-year company programme One. One has been an unprecedented transformation for Schneider Electric and has laid extremely solid foundations for our future development. In three years, we changed size, we built our identity around one brand, we organized our company around customer segments and, we organized our Group as one integrated team where our employees can develop on a larger scale. We also reached our targets of efficiency improvement compared to 2008. One has been the enabler of the acceleration of our strategy execution and the catalyser of robust financial performance through a historical economic downturn.

Beginning 2012, we launched our new company programme, Connect, which defines our key action plans for the next three years. Connect builds on the fundamentals and successes of One. This programme covers four major initiatives, which will allow the Group to attain new levels of performance. Connect to Customers will improve the performance of our business models to become a leader in Products and Solutions. Connect Everywhere will push our advantage in new economies and create new opportunities in mature markets. Connect People will create a culture and an

environment of development and performance through training, diversity, cross-business mobility, empowerment and increased engagement in corporate social responsibility. Connect for Efficiency aims at extracting superior efficiency from the transformation to One Schneider Electric.

Schneider Electric is well geared to face the uncertainties surrounding the global economy in 2012. We can rely on our strong growth engines and strong fundamentals to develop and go further: an undisputed leadership in our partner business, our fast growing solution business, our well-balanced geographical exposure, our diversified end-market coverage using the same set of integrated technologies and systems. We shall benefit from all the work we made on our organization to integrate our teams and focus on customer segments. We shall also benefit from the new level of operational efficiency we reached. Schneider Electric is in an exceptional position to keep exploring the new frontiers of energy management technologies; seize new business opportunities offered by energy efficiency, smart grid and smart cities; and offer the most advanced technologies of efficiency for the sustainability of our planet development.



Message from Henri Lachmann

CHAIRMAN OF THE SUPERVISORY BOARD

In 2011, we completed One, our three-year Company program. One achieved all of its objectives and was a great success for our Company. The Supervisory Board wants to take this opportunity to thank the Management Board and all of Schneider Electric's teams for this tremendous accomplishment. One has transformed Schneider Electric and put us in a position to reap the full benefits of globalization, growth in new economies and the enormous need for energy efficiency solutions.

The energy that costs and pollutes the least is the energy we save. Schneider Electric helps its customers use less energy. We have the good fortune and foresight to be very well positioned in energy efficiency markets all around the world. Our products, equipment and solutions are on the leading-edge of technology and our R&D investments illustrate our strategy of continuing to offer to our customers the best-in-class lineup to meet their needs. Our good short-term business performance allows us to implement a long-term strategy.

Your Supervisory Board will continue to advise and supervise the Management Board. The Supervisory Board operates in a completely transparent manner, in a friendly atmosphere where discussion and the confrontation of ideas are welcomed.

In measuring team performance and related bonuses, business and financial criteria are not the only factor. Sustainable development and corporate social responsibility are also taken into account using a dedicated resource known as the Planet & Society Barometer. This tool helps our people to feel responsible of this part of our performance: measurement drives behaviour. Meeting targets in these non-financial areas are part of the bonus system for both employees and senior executives.

After implementing a successful succession at the Chief Executive level, your Supervisory Board is now working on the succession of its Chairman and on an appropriate governance.

The Supervisory Board would like to once again express its confidence in the teams that are responsible for the implementation of our new Company program, Connect. We fully support this program, which should be another major milestone in Schneider Electric's development.



> Interview with Emmanuel Babeau

EXECUTIVE VICE PRESIDENT FINANCE,
MEMBER OF THE MANAGEMENT BOARD

Schneider Electric reached a new record in sales in 2011. How was this performance achieved?

Indeed, we generated record high sales of EUR22.4 billion in 2011, in comparison with less than EUR14 billion five years ago. This is the result of a successful long term strategy built upon balancing organic growth and acquisitions, and on our leading position in high growth geographies as well as in energy management solutions.

Schneider Electric has first of all delivered solid organic growth at +8.3%: growth in new economies reached +15%, as in 2010, and solutions growth accelerated to +12%. These trends were seen across the Group's businesses, with growth around +10% for Industry and IT, and between +7% and +8% for Power and Infrastructure.

Finally, the deployment of our strategy has been reinforced by acquisitions such as Telvent for real-time critical infrastructure management, but also with Luminous, Steck, or Leader & Harvest in new economies. Acquisitions brought additional growth of 7% this year.

Is your growth strategy comforted by the financial results?

Yes, because Schneider Electric also achieved record high results. Our EBITA* before acquisition and integration costs reached EUR3.2 billion, up 7%.

However we faced a difficult environment, notably with political instability in Africa and the Middle East, and above all with the natural disaster in Japan in March and its terrible consequences. We always privileged our employees' security but our local operations were disrupted and our electronic purchases impacted. The steep raw material inflation entailed additional costs of over EUR400 million. These difficulties penalized our margin evolution. We have nevertheless put in place strong actions to offset these headwinds by raising the sales prices and controlling our costs. Our free cash flow generation amounting to EUR1.7 billion in the second half was a record.

Over the full year, our Group share net income was up 6% at EUR1,820 million, the highest ever achieved by Schneider Electric. We will therefore offer a dividend of EUR1.70 per share to our shareholders, fully paid in cash.

Our net financial debt amounts to EUR5.3 billion, up mainly due to the dividend pay-out of EUR0.9 billion and to acquisitions for EUR2.9 billion. Our balance sheet is particularly strong, with a solid net debt to adjusted EBITDA ratio at 1.4x and a free cash flow generation capacity maintained at a very high level.

How do you consider the Group's outlook for 2012?

The uncertainty surrounding the global economy limits our visibility. We see continued strength in new economies and opportunities from a recovering North America, while Western Europe is expected to weigh on growth.

In this context we foresee flat to slightly positive organic growth for sales and an adjusted EBITA margin between 14% and 15%. But the Group enters 2012 with the strength of its well diversified geographic and end-market exposure, leadership position across its businesses that will continue to be very promising in the years to come, and a clear advantage of its unique organization model built for excellence in our commercial efficiency and financial performance.

What are your ambitions for Connect, the new company program?

We have just launched Connect which was successively presented to our teams, our shareholders and investors and to our stakeholders generally. This company program will obviously be key to accelerate the development of Schneider Electric by 2014, on all dimensions including customers, markets and development of our teams. We have also expressed our ambition to drive the improvement of our financial results. We therefore reiterate our target of an average organic growth at world GDP + 3 points across the economic cycle. This growth should allow us to generate an adjusted EBITA margin between 13% and 17%, depending on the global economic conditions and our efficiency initiatives. Additionally, the quality of our cash generation and our discipline in terms of industrial and financial investments should allow us to generate a Return on Capital Employed (ROCE) between 11% and 15%. Our ambition is therefore to put Schneider Electric in a dynamic of continuous profitable growth, consistent with our commitment to sustainable development.

*EBITA: EBIT before amortization and impairment of purchase accounting intangibles and impairment of goodwill

> Leadership team

Executive Committee (as of February 21, 2012)



Global functions

1 Jean-Pascal Tricoire
President and CEO*

2 Emmanuel Babeau
Executive Vice-President, Finance*

3 Annette Clayton
Executive Vice-President,
Global Supply Chain

4 Hervé Coureil
Executive Vice-President,
Information Systems

5 Aaron Davis
Executive Vice-President, Marketing

6 Philippe Delorme
Executive Vice-President,
Strategy & Innovation

7 Karen Ferguson
Executive Vice-President,
Global Human Resources

Businesses

8 Clemens Blum
Executive Vice-President,
Industry

9 Michel Crochon
Executive Vice-President,
Infrastructure

10 Chris Curtis
Executive Vice-President,
Power North America & Buildings

11 Éric Pilaud
Executive Vice-President, CST**

12 Julio Rodriguez
Executive Vice-President, Power
Global and EMEAS***

13 Éric Rondolat
Executive Vice-President,
Power Asia Pacific

14 Laurent Vernerey
Executive Vice-President, IT

* Member of the Management Board.

** President and CEO, Custom Sensors & Technologies Inc.

*** Europe, Middle East, Africa and South America.

Supervisory Board (as of February 21, 2012)

Henri Lachmann

Chairman of the Supervisory Board

Léo Apotheker*

Vice Chairman of the Supervisory Board

Betsy Atkins*

Corporate Director

Claude Briquet

Member of the Supervisory Board for the "Schneider France-Germany" Mutual Fund

Xavier Fontanet*

Corporate Director

Noël Forgeard*

Senior partner at Arjil SAS

Jérôme Gallot*

Executive Vice-President of Veolia Transdev

Jeong Kim*

President of Bell - Alcatel-Lucent Laboratories

Willy R. Kissling*

Corporate Director

Cathy Kopp*

Corporate Director

Gérard de La Martinière*

Corporate Director

Dominique Sénéquier*

President and CEO of AXA Private Equity

G. Richard Thoman*

Managing Partner of Corporate Perspectives and University Professor

Serge Weinberg*

Chairman of the Board of Directors for Sanofi

Non-voting member

Claude Bébéar

Corporate Director

Secretary for the Board

Philippe Bougon

Remuneration, Appointments and Human Resources Committee

Henri Lachmann

Chairman

Claude Bébéar**Léo Apotheker*****Willy R. Kissling*****Serge Weinberg***

Audit Committee

Gérard de La Martinière*

Chairman

Noël Forgeard***Jérôme Gallot***

Management Board

Jean-Pascal Tricoire

President and CEO

Emmanuel Babeau

Member of Management Board, Executive Vice-President Finance

Statutory Auditors

Principal auditors

Ernst & Young et Autres**Mazars**

Alternate auditors

Société Auditex**Mr Thierry Blanchetier**

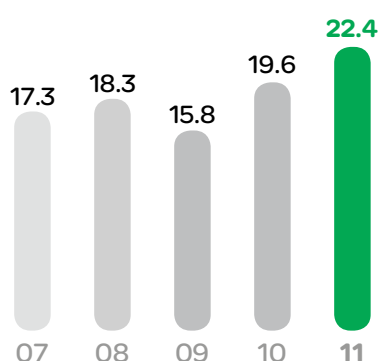
* Independent member of the Supervisory Board as defined in the AFEP/MEDEF Corporate Governance Guidelines for listed companies.

> Key figures 2011

SCHNEIDER ELECTRIC

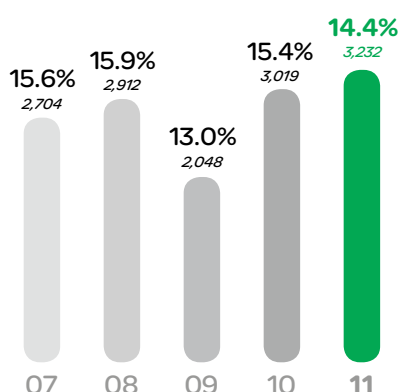
- Solid organic growth at +8.3%
- New economies and Solutions at 39% and 37% of sales respectively
- Acquisition integration progressed well and synergies on track
- EBITA before acquisition and integration costs up 7% and margin at 14.2%
- Robust pricing and free cash flow generation in H2

Consolidated sales *(in billions of euros)*



Schneider Electric achieved record high sales despite a difficult economic environment in 2011. Sales were up 8.3% on a like-for-like basis and up 14% on a current structure and exchange rate basis. All the Group's businesses contributed to growth, driven in particular by IT and Industry. From a geographic standpoint, Asia Pacific, North America and Rest of World experienced double digit growth. Europe, on the other hand, was impacted by the debt crisis in a number of countries. The Group benefited from its strong presence in new economies and from robust Solutions growth, at respectively 39% and 37% of 2011 sales.

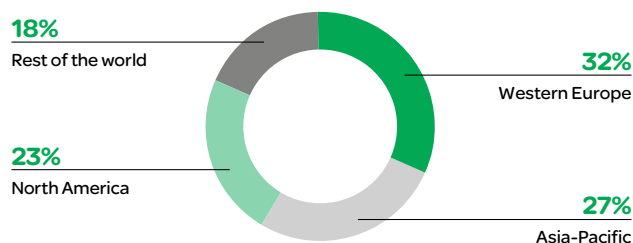
Adjusted EBITA ⁽¹⁾ *(in millions of euros and as a % of sales)*



EBITA before acquisition and integration costs reached EUR3,178 million, or 14.2% of sales. Adjusted EBITA will be the new Group measure for operational profitability. It provides better visibility and predictability of the underlying performance of the Group than EBITA, which includes a number of non-recurring items and restructuring charges that have become more volatile since 2009. Adjusted EBITA amounted to EUR3,232 million in 2011, or 14.4% of Group sales, up 7%. Performance was driven by strong topline growth, price increase step-up in the second half of the year and significant operational efficiency, despite record high raw material cost inflation. Industrial productivity remains strong primarily due to purchasing savings, lean manufacturing, continued rebalancing to new economies and fixed costs absorption. In parallel, the Group continued investing for future growth: broader geographical coverage in new economies, faster deployment of solutions and increased R&D spendings.

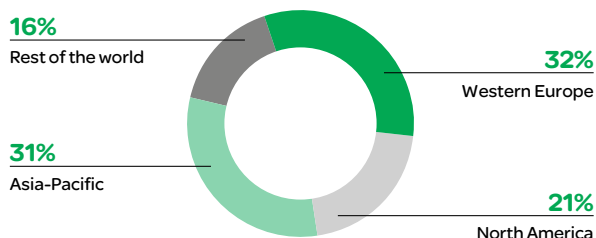
(1) Adjusted EBITA : EBITA before restructuring costs and other operating income and expenses (one-time items such as capital gains/losses, pension gains/losses, acquisition costs, impairment).

Sales by geography



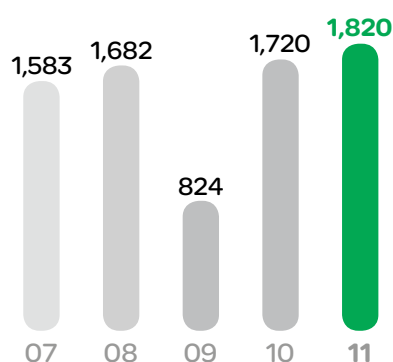
2011 Headcount

137,535 employees*



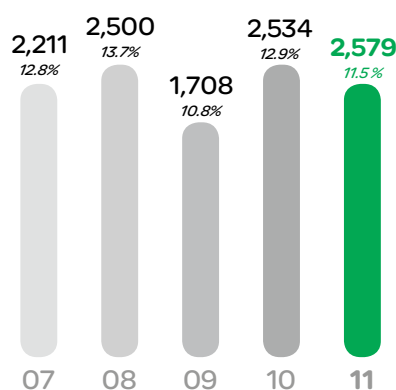
* Spot headcount, including employees under fixed-term and open-ended contracts, at December 31, 2011

Net income attributable to owners of the parent (in millions of euros)



Net income reached a record high of EUR1,820 million, up 6% year-on-year. It benefited from the improvement of EBITA but was impacted by the increase in financial expenses, mainly due to negative currency impact. Net income per share amounted to 3.39 euros.

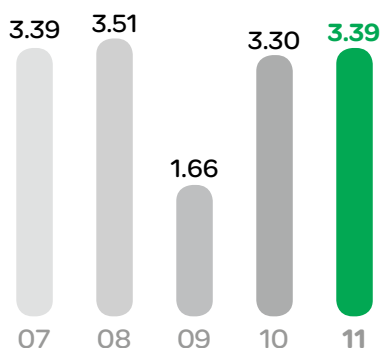
Operating cash flow (in millions of euros and as a % of sales)



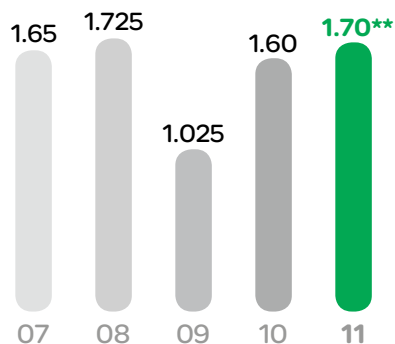
Operating cash flow was up 2% year-on-year and rose to EUR2,579 million. Free cash flow in the second half was at an all-time high, reaching EUR1,665 million, achieved by a strict working capital control, in particular a full re-absorption of the excess safety stock built up in the first half due to the supply chain disruption post the natural disaster in Japan. Full year free cash flow ended up at EUR1,506 million.

Free cash flow included capital expenditures of EUR746 million, returning to a more normal level after two consecutive years of subdued investment.

Earnings per share* (in euros)



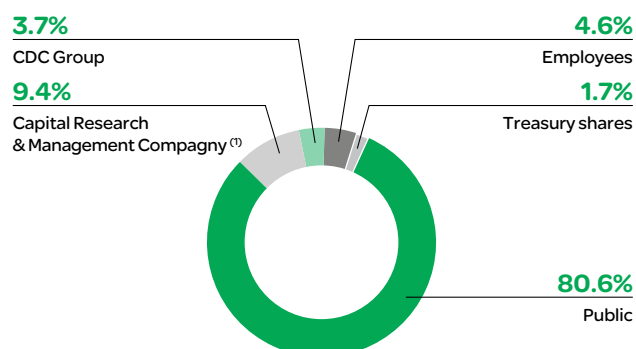
Dividend per share* (in euros)



* Adjusted to reflect two-for-one share split (September 2, 2011).

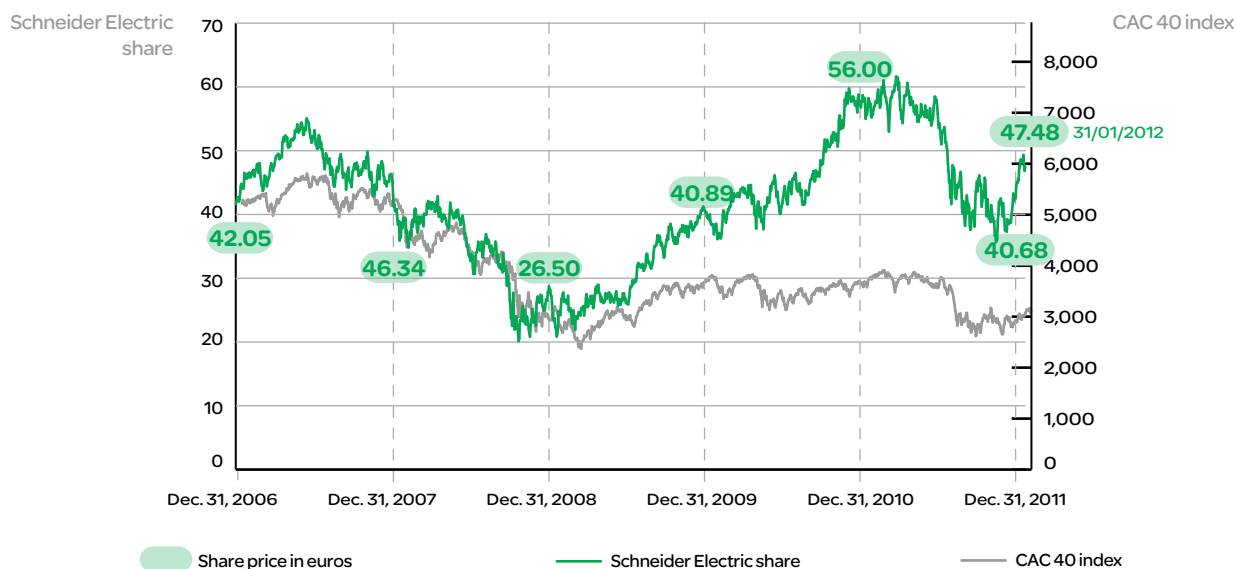
** Subject to shareholders' approval at the Annual Meeting of May 3, 2012, for payment on May 16, 2012.

Ownership structure on December 31, 2011



(1) To the best knowledge of the Company.

Share price against CAC 40 index over five years



(Source: Thomson Reuters)

> 2011 in brief

Growth and acquisitions

Acquisition of Telvent

On June 1, 2011, Schneider Electric announced the signing of a definitive agreement related to the acquisition, through a public offer of Telvent GIT SA ("Telvent"), a leading solution provider specializing in high value-added IT software and solutions for real-time management of mission critical infrastructure in the fields of electricity, oil & gas, water and transportation. By acquiring Telvent, Schneider Electric integrates a high value-added software platform that presents a good fit with its own range in field device control and operation management software for the smart grid and efficient infrastructures. The Group also doubles its overall software development competencies and enhances its IT integration and software service capability, including weather services. Schneider Electric made a cash tender offer for all of Telvent's shares at a price of USD40 per share, which represents a premium of 36% to Telvent's average share price over the last three months. This offer has successfully been completed on August 30, 2011.

Automation and Control

On June 9, 2011, Schneider Electric announced the signature of an agreement to acquire Leader Harvest Power Technologies Holdings Limited ("Leader & Harvest"), one of the leading players in the fast-growing medium voltage drives market in China. Headquartered in Beijing, Leader & Harvest develops, manufactures and commercialises medium voltage (MV) variable speed drives. The company employs over 750 people and has an extensive inhouse nationwide sales and service support network across 30 provinces. With an annual growth rate in excess of 20% in the past few years, the company is expected to generate sales of approximately USD150 million (approx. EUR100 million) for 2011. Leader & Harvest's range represents an excellent addition to Schneider Electric's industrial automation range of products and solutions. Medium voltage drives are a key element of energy efficient solutions to our key target segments of mining, minerals & metals and water & waste water.

Low voltage

On July 21, 2011, Schneider Electric announced it has entered into a partnership with NVC Lighting Holding Limited ("NVC Lighting") to speed up its market penetration in smaller cities in China via NVC Lighting's well established diffused channels. The partnership will give Schneider Electric an exclusive access to diffused channels and bring forth strong revenue synergies. NVC Lighting has a solid presence in China with broad diffused channels and extensive retail management experience. It has the access to over 3,000 retail outlets, half of which are located in smaller cities and townships.

On July 22, 2011, Schneider Electric announced the signature of an agreement to acquire the Brazilian group Steck Da Amazonia Industria Elétrica Ltd. and affiliates ("Steck Group"), a key player (950 employees, about BRL180 million (approx. EUR80 million) in 2011) in the fast growing final low voltage segment serving the residential and commercial buildings and industries in Brazil. The transaction will enable Schneider Electric to broaden its product

portfolio and market access and hence provide an opportunity to expand its presence in new economies, particularly in Latin America.

Critical Power & Cooling

On January 7, 2011, Schneider Electric announced the signature of an agreement to acquire a majority of the shares in APW President Systems Ltd. which designs and manufactures standard and customized racks and enclosure systems in India, serving in particular information technology and telecom end-users. APW President Systems Ltd. has approximately 380 employees and generated sales of INR1.08 billion (approx. EUR17 million) for the twelve months ending September 30, 2010. With APW President Systems Ltd., Schneider Electric is well positioned to capture opportunities in the fast growing Indian IT infrastructure market as well as in international markets, particularly in Asia Pacific and Middle East. The Group will also be able to tap the talent pool and increase its solutions execution capabilities from server rooms to extra large data centres.

On March 31, 2011, Schneider Electric announced the signature of an agreement to acquire from Smartlink Network Systems Ltd. the assets of the Indian company Digilink business, one of the leading structured cabling systems providers in India. Headquartered in Mumbai, the Digilink business has 92 employees and generated sales of about INR1.55 billion (approx. EUR25 million) in calendar year 2010. With this acquisition the Group will be able to gain access to Digilink's well-established distribution network in the retail sector which complements its presence in enterprise segments and will generate significant cross-selling opportunities for its Power and IT products.

On April 4, 2011, Schneider Electric announced the signature of an agreement to acquire in the United States Lee Technologies, a leading service provider for the data centres of the North American market. Headquartered in Fairfax, Virginia, Lee Technologies has over 300 employees and generated sales of about USD140 million (approx. EUR104 million) in 2010. Lee Technologies brings to Schneider Electric capabilities ranging from consulting, site assessment, design, equipment specification and selection to integration, commissioning, facility operations staffing, maintenance and proactive 24x7 remote monitoring. This full repertoire of services will reinforce Schneider Electric's IT business skills in data centre management and its ability to provide data centres, one of the world's fastest growing end-users of energy, with the best standards in energy conservation and reliability.

On May 30, 2011, Schneider Electric announced the signature of an agreement to acquire 74% of Luminous Power Technologies Pvt. Ltd., a market leader in India that provides inverters, UPS and power storage systems to help homes and small and medium sized businesses face frequent power cuts. Luminous is a leading player in the around EUR800 million Indian inverter and power storage market that is growing at more than 20% a year. Luminous has a strong presence in India and employs approx. 3,000 people in 8 different industrial sites in India and 1 in China. It has generated revenues of INR11.0 billion (approx. EUR170 million) for the fiscal year ending March 2011. With Luminous, Schneider Electric will become the leader in the Indian inverters and secured power market and gain access to a complementary retail network.

Energy efficiency

On March 24, 2011, Schneider Electric announced the signature of an agreement to acquire Summit Energy Services Inc., an American company leader in outsourced energy procurement and sustainability services to industrial, commercial and institutional enterprises. It is employing more than 350 individuals based in 11 international offices across North America and Europe and serves client facilities in more than 90 countries. Summit Energy is a fast-growing business, expected to generate sales of approximately USD65 million for the current year. The acquisition of Summit Energy allows Schneider Electric to broaden its energy management services and solution portfolio, offering customers the ability to manage and optimize their energy consumption from the supply side through the demand side, while also growing Schneider Electric's energy and environmental online reporting capabilities.

Venture capital

On February 23, 2011, Aster Capital announced Rhodia's acquisition of an interest in Aster II, the venture capital fund targeting innovative technology start-ups. This fund, specifically focused on energy, advanced materials and environment sectors, should eventually raise EUR120 to 150 million. Joining forces in this novel multi-corporate venture capital fund, the three sponsors – Alstom, Rhodia and Schneider Electric – will actively promote the development of young and innovative companies. By fostering cooperation and partnerships, it will guarantee the relevance of technologies and markets assessed to investors. Companies in the fund's portfolio will also have access to the global network of each of the three partners.

Bond issues and sale of treasury stock

On June 30, 2011, Schneider Electric refinanced part of its debt and just closed a USD300 million private placement (approx. EUR210 million). This transaction made under the Schneider Electric EMTN programme has a floating coupon (3-month LIBOR + 0.49%) and matures in July 2014.

On July 1st, 2011, Schneider Electric launched a EUR750 million EMTN (Euro Medium Term Note) issue maturing in July 2018. The coupon rate for this bond is 3.75 percent.

On September 15, 2011, Schneider Electric launched a EUR500 million EMTN (Euro Medium Term Note) issue maturing in January 2019. The coupon rate for this bond is 3.50 percent.

Division of the nominal values of the shares

At the Annual Shareholders' Meeting held on April 21, 2011, Schneider Electric shareholders approved the division of the nominal value of the shares by two. The Management Board decided that the share par value split takes effect on September 2, 2011. The operation makes the shares more accessible particularly to individual shareholders and also improves the share liquidity. Effective on September 2, 2011, instead of every EUR8 nominal value share held on that date, shareholders receive two shares of EUR4 nominal value. The division of the nominal value of the share does not have an impact on the tax situation or the rights of the shareholders. It is carried out at no expense or formalities for them.

Innovation, partnerships and major contracts

On March 15, 2011, Schneider Electric and the City of Rueil-Malmaison signed the first agreement to trial an energy efficiency programme in France. The first of its kind involving a municipality, the energy efficiency programme will initially be trialled at the city library and the Claude Monet middle school in Rueil-Malmaison. Over eight years, the programme is expected to reduce energy use at the sites concerned by 20%, thereby trimming the city's energy bill and shrinking its environmental footprint.

On April 19, 2011, Schneider Electric is awarded a turnkey contract to supply the electrical installation for the future Queensland Curtis liquefied natural gas LNG Project being built by US-based construction contractor Bechtel.

On April 27, 2011, Schneider Electric announced a project with North Carolina State University (USA) to improve energy efficiency and drive sustainable, clean energy projects in 1.6 million square feet of building space across 13 campus facilities. As part of a USD20 million performance contracting project, the university will implement facility improvements, equipment upgrades and energy-efficient techniques to impact energy use, operations, reliability and comfort.

On May 17, 2011, Schneider Electric, in association with Derceto, Echologics (a division of Mueller Water), i2O Water, TaKaDu and Telvent, announced the creation of Smart Water Networks (SWAN), a global industrial alliance formed to promote the development and adoption of data-driven systems for better water network management and operation.

On May 31, 2011, The City of Issy-les-Moulineaux, Schneider Electric, Alstom, Bouygues Immobilier, Bouygues Telecom, ERDF, ETDE, Microsoft, Steria and Total created IssyGrid®. This first district smart grid in France will be built in the Seine Ouest business district in Issy-les-Moulineaux with the goal of enabling energy optimization at the neighborhood level.

On June 15, 2011, Soitec and Schneider Electric announced that they have signed a memorandum of understanding with Masen (Moroccan Agency for Solar Energy) on an integrated partnership on CPV technology. The memorandum of understanding between Soitec, Schneider Electric and Masen is part of the Moroccan Solar Plan. It is supported jointly by the Moroccan and French governments. It has four key components: Research & Development; Industrial integration; Training; Pilot projects.

On June 15, 2011, in a world first, Schneider Electric's head office (known as the Hive) has been certified as complying with the new ISO 50001 standard for energy management systems. Schneider Electric is pursuing its commitment to continuously improving the energy efficiency of its buildings, reducing their environmental footprint and enhancing user comfort.

On July 13, 2011, Schneider Electric announced that it has teamed with Cisco to provide an innovative comprehensive energy management solution that monitors and manages energy consumption across all building domains. With this combined solution, building owners and managers, architects, contractors,

and IT managers will now be able to optimize energy efficiencies and business operations to save energy.

On October 5, 2011, Schneider Electric became the first manufacturer worldwide to obtain ZE Ready certification from Renault for its EVlink electric vehicle charging infrastructure range. ZE Ready is a comprehensive compatibility testing protocol designed to guarantee that internationally accepted standards will

be implemented consistently among electric vehicles and charging infrastructure.

On November 8, 2011, Schneider Electric presented Villasol, a solution for village electrification. The Villasol solution is a solar-powered micro off-grid facility for decentralised rural electrification. This standardised solution consists in photovoltaic panels, a battery bank and a battery charging station that enable a communal recharge system.

Governance

On July 28, 2011, the Supervisory Board recorded the resignation of Mr Anand Mahindra from his office as a member of the Supervisory Board, due to potential conflicts of interest between Schneider Electric and the MAHINDRA & MAHINDRA group liable to arise due to the two groups developing their distribution business in India.

The Supervisory Board, which met on December 15th, 2011, has decided to co-opt Mr Xavier Fontanet as a member of the Supervisory Board. Xavier Fontanet, 63 years old and of French nationality, is Chairman of the Board of Essilor International.

On July 1st, 2011, Mrs Annette Clayton is appointed as Executive Vice President of Global Supply Chain and Member of the Executive Committee of Schneider Electric. Annette Clayton comes from Dell, where she was Vice President of Global Operations and Supply Chain. Annette Clayton is American, and has an impressive career in supply chain, which she developed initially in General Motors.

Employees

On March 31, 2011, Schneider Electric announced the launch of a capital increase reserved for employees under the Group employee savings plan (*plan d'épargne salariale*). This offering, which is in line with the Group's policy to develop employee shareholding, is proposed to Group employees in fourteen countries, including

France. This plan covers around 80% of the employees of the Group. This offering reinforces the link between the Group and its employees by giving them the opportunity to be more involved in the developments and future performance of the Group.

Corporate Social Responsibility

On February 11, 2011, Schneider Electric announced the launch of Go Green in the City, a new type of creative case competition involving students of eight countries across the world. Finals of the challenge were held in Paris on June 23-24, 2011. More than 500 teams representing 1000 candidates from eight countries participated in this challenge.

On May 6, 2011, the City of Rueil-Malmaison west of Paris decided to take part in the "100 chances – 100 emplois" campaign proposed by Schneider Electric and Saint-Gobain. The "100 chances – 100 emplois" programme created by Schneider Electric is designed to meet a community's economic needs while helping to restore equal opportunity for young people age 18-30 who come from disadvantaged neighborhoods. It offers individualized solutions to ease the way into long-term employment for young people with few or no credentials, as well as for young graduates who are victims of discrimination. Targeted exclusively to young people from difficult neighborhoods, the programme federates and engages local stakeholders.

On July 1st, 2011, one year after the start of Haiti's rebuilding effort agreement, the Schneider Electric Foundation celebrates the inauguration two professional training workshops dedicated to building industry skills.

On July 4, 2011, Danone, Crédit Agricole, Schneider Electric and CDC Climat announced the creation of Livelihoods, an innovative carbon-offset fund serving rural communities. Livelihoods is a unique new investment fund that gives fund partners access to carbon credits with "strong social impact." It does this by seeking the best balance between value generated for local communities and the value of carbon credits returned to investors.

On July 26, 2011, Schneider Electric announced that it is expanding its sponsorship of the Solar Decathlon through at least 2013, including Solar Decathlon US in September 2011, Solar Decathlon Europe in 2012 and Solar Decathlon China in 2013. Created in 2002 by the U.S. Department of Energy (DoE), the Solar Decathlon competition challenges students from leading universities worldwide to design, build and operate energy-efficient solar-powered houses.

On December 7, 2011, Schneider Electric triumphed at Gigaton Awards ceremony during UN climate change talks in Durban, South Africa. The 2011 Gigaton Awards were powered by Carbon War Room, The Carbon Disclosure Project and Greenstar; presented by The Gigaton Throwdown, The World Climate Summit and Greenbiz. The Gigaton Awards are designed to inspire and challenge businesses to run their business in the most carbon efficient way possible.



Description of the Group, and its strategy, markets and businesses

1. Global specialist in energy management	16
2. Leader in an industry of the future	21
3. R&D Strategy	26
4. Organisational simplicity and efficiency	31
5. Risk factors	34



> 1. Global specialist in energy management

Schneider Electric offers integrated products, systems, services, software and solutions in order to make energy safe, reliable, efficient, productive and green.

As a global specialist in energy management, with operations in over 100 countries, the Group enjoys leadership positions in Utilities and Infrastructure, Machine Industry and Manufacturers, Non-residential Buildings, Data Centres and Networks, and Residential..

1.1 Effective management of energy resources, a global challenge

With economic, industrial and urban growth and the increase in the world's population, the need for energy is rising exponentially, along with CO₂ emissions.

Today, out of the world's 7 billions inhabitants, only 2 billions have access to adequate energy infrastructure and 2 billions will attain middle class status in around ten years, while 1.3 billion people – 300 million homes – still have no access to electricity. In addition, the planet could have 2 billions additional inhabitants by 2030. The increase in the global demand for energy seems set to carry on rising.

At the same time, renewable energy sources are still insufficient and the energy mix is unlikely to change much over the next 25 years: unless radical changes are made much faster than expected, two-thirds of energy will continue to be produced from fossil fuels.

By 2050, the energy equation will therefore be: a doubling of worldwide energy demand, and at the same time, a need to halve CO₂ emissions at the global level in order to combat climate change. Under these conditions, economic development requires more effective management of our resources and especially energy. This is the business of Schneider Electric.

1.2 Towards smart energy management

The electricity grid is becoming smarter, and users need to be connected simply and safely.

From mobile telephones to the internet to home automation, technology is constantly making communication easier and faster. This trend towards connectivity is growing throughout the world. But no matter how technical products or solutions may be, users want them to be easy to install, use and maintain. They want to have access to reliable and safe energy that keeps their installations, infrastructure and equipment operating at an optimal level.

A new, more "intelligent" electricity grid is emerging: the smart grid. The traditional grid, which was simple and linear, with centralised energy output and passive consumers is now changing into a more complex, interconnected and active model.

With renewable energies each consumer can produce his or her own energy, but the various and irregular sources now have to be connected to the central grid.

Demand response makes energy visible and offers everyone the chance to affect their own consumption.

Electric vehicles are revolutionising the perception of mobility, both in terms of access to energy, and its use and storage.

Real-time grid management allows consumption levels to be anticipated and supply to be adapted accordingly.

To meet regulatory, environmental and profitability requirements, energy must be safe, reliable, efficient, productive and green. This will require integration: an entire system, not just the individual components have to be taken into account. The era of intelligent energy management has dawned, and Schneider Electric has the vision, products and services and ambition necessary to play a major role in this energy revolution.



1.3 The emergence of sustainable cities

The energy challenge becomes clear in cities, which now contain 50% of the world's population, responsible for 75% of global energy consumption and 80% CO₂ emissions.

These cities are still growing: by 2050, 70% of the world's population will live in an urban environment. Taking into account demographic growth, over the next 40 years urban capacity will have to undergo a development equivalent to that experienced over the last 4,000 years.

With growth come constraints: infrastructures that lack capacity, congestion, increased consumption, competition for jobs and skills, economic difficulties and ecological ambitions.

To withstand, survive and develop, the cities must become more sustainable: more intelligent, more efficient, more liveable.

This will be one of the major challenges over the coming years.

1.4 A new geographical balance

The new economies now represent 50% of global GDP and may reach 65% by 2015.

They account for 90% of the growth in energy needs over the next 40 years, combining demographic pressure, industrialisation, urbanisation, and increase in wealth. Millions of men, woman and children will see their living standards rise.

The driver of global growth is now the new economies – and should continue to be for years to come.

In order to guarantee its sustainable growth strategy, Schneider Electric already has a significant presence in these new economies, holding strong positions in Asia (ex Japan), Africa, the Middle East, Latin America and Mexico, Eastern Europe and Russia.

The Group's organisation reflects this new economic balance, since the Schneider Electric regional offices are found in North America, Europe and Asia.

1.5 A company focussed on growth

From steel to electricity and onto energy management, the Company created 175 years ago has experienced significant changes in its activities in order to position itself for growth.

1836-1880: The family SME becomes a major player

1836: Adolphe and Joseph-Eugène Schneider move their foundries to Creusot and create Schneider & Cie two years later. The company experiences continued development in heavy machinery and transportation equipment, and becomes an extremely diversified conglomerate.

1875: Merlin Gerin, one of the top manufacturers of electrical distribution equipment in France, joins the Group, already present in the electricity sector since the late 19th century.

1981-2001: The Group refocuses on the electricity sector

1988: acquisition of France's Telemecanique, a pioneer in remote control systems for electric motors.

1991: a major acquisition in the US with the takeover of Square D, leader in the North American electrical equipment sector.

1997: sale of building and public works company Spie Batignolles. The Group's refocusing on the electricity sector is now complete.

1999: the name Schneider Electric represents the Group's new direction and provides a clear indication of its expertise in the electricity sector. The Group acquires Lexel, Europe's second largest supplier of installation systems and control solutions.

2000: acquisition of Crouzet Automatismes, a French leader in electronic control, small automation devices and customised sensors, and Positec, a European leader in motion control. Creation of a joint venture with Toshiba called Schneider Toshiba Inverters (STI) to develop, manufacture and market both partners' industrial speed drives. STI, of which Schneider Electric holds a 60% stake, leads the global industrial speed drive sector. Launch of Schneider Electric Ventures fund with capital of EUR50 million, to acquire interests in innovative start-ups with technologies that can enhance the Group's offering.

2001: acquisition of Legrand, a leader in installation systems and control solutions. The European Commission vetoes the merger, obliging Schneider Electric to sell its stake in Legrand. The Court of First Instance of the European Communities will overrule the Commission's decision in October 2002.

2002-2011: Strategic transformation

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

- to ensure a more balanced exposure to its strategic end markets;
- to enhance its portfolio of traditional activities (electricity distribution, automation and industrial control); and
- to anticipate the future energy requirements of companies and individuals.



A new dimension

The Group doubles in size between 2002 and 2008, through organic growth and by making a number of acquisitions. Revenue jumps from EUR9 billion in 2002 to EUR18.3 billion in 2008, reflecting average annual growth of 12%. Its headcount increases from 70,000 to 114,000 over the same period. Thanks to a loosely integrated business model, the Group can act quickly to keep pace with economic and environmental changes in its markets.

Following several acquisitions, notably of TAC in 2003, Schneider Electric becomes a major player in building automation. The Group becomes global leader in critical power and video security systems in 2007, with the acquisition of APC and Pelco respectively. The acquisitions in 2009 of energy efficiency leader Conzerv in India and UPS manufacturer Microsol Tecnologia in Brazil increase the Group's exposure to new economies, as well as to the growing energy efficiency and critical power sectors. Schneider Electric reinforces this new geographical positioning in 2010 with the acquisition of Cimac (leader in industrial systems integration in the Persian Gulf), Zicom Electronic Security Systems Ltd's activities (electronic security systems integration, India) and the 50% takeover of Electroschild – TM Samara (medium voltage, Russia). Schneider Electric finalises the acquisition of Areva T&D Distribution division in June 2010, thus becoming one of the world leaders in medium voltage and automation for electrical distribution. Schneider Electric's medium voltage operations are therefore strengthened by Areva T&D's distribution activities to create a new activity: Energy.

At the same time, Schneider Electric was developing its operations in mature countries, notably with the acquisition in December 2010 of two pioneering French companies working in the area of building management software: Vizelia, a provider of software that monitors the energy consumption of buildings in real time, and D5X, a specialist in solutions for optimising the use of commercial buildings.

Schneider Electric continues its policy of target acquisitions in 2011, both small and medium sized, to accompany its growth in the area of solutions, such as in the new economies.

Solutions

March 2011: acquisition of Summit Energy, a leader in outsourced energy services, in the area of provision and sustainable development for industrial and commercial enterprises and institutions.

August 2011: acquisition of Telvent, a leading provider of software and IT solutions with high added value for real-time management of critical infrastructures in the electrical, oil and gas, and water treatment sectors, as well as for transport. This acquisition allows Schneider Electric to propose a high added value software platform supplementary to its offer of equipment control and software management *via* a smart grid and efficient infrastructures.

New economies

January 2011: acquisition of the majority of the share capital of APW President Systems Limited, a company specialising in the design and manufacture of standard or custom-built electric bays and cabinets for use by telecom and information technology end customers in India.

March 2011: signing of a contract to acquire the assets of the company DIGILINK, a leader in structured cabling system supply in India, from Smartlink Network Systems Ltd.

April 2011: acquisition of Lee Technologies, a leading service provider for the data centres of the North American market.

June 2011: acquisition of Leader & Harvest, one of the leading suppliers of medium voltage variable-speed drives in the rapidly growing Chinese market.

July 2011: partnership with the Chinese company NVC Lighting to hasten Schneider Electric's presence in small towns in China, with the benefit of NVC Lighting's well established and wide spread distribution channels. Acquisition of the Brazilian group Steck Group, a key player in the fast growing final low voltage segment serving the residential and commercial buildings and industries in Brazil.

An eco-citizen approach

Schneider Electric works actively to reduce its environmental footprint, while making energy safer, more reliable, sustainable and accessible by optimising its use.

2002: the Group confirms its commitment to responsible management by creating a Sustainable Development Department, which now forms an integral part of the Strategy & Innovation Department.

2005: the quarterly Planet & Society Barometer is set up to measure and report on the Group's sustainable development performance. Schneider Electric is the first manufacturer to sign French environmentalist Nicolas Hulot's pact for the environment and the sixth global enterprise to join the Clinton Climate Initiative (CCI).

Change management

2001-2008: launch of change management programme NEW2004, followed by new² in 2005, with the aim of formalising consistent and coordinated objectives for all employees.

2009-2011: a new company programme called "One" introduced to support Schneider Electric's strategic goals. One, the successor to new², continues the focus on customer satisfaction (Customer 1) and staff development (1 Team). The programme also includes strategic initiatives to strengthen Schneider Electric's leading position on its market:

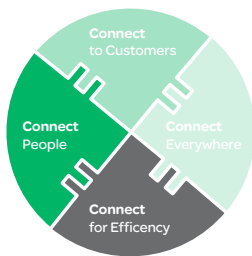
- becoming solutions provider (1 Solution Provider);
- giving priority to new economies (1 Leader in New Economies);
- simplifying processes in order to act as a single, unified entity (1 Company).

Connect, Schneider Electric's new company programme (2012-2014)



Connect, Schneider Electric's company programme for the 2012-2014 period, is another major step in the consistent deployment of the Group's strategy. With Connect, the Group will extend the strong foundation of One to all its strategic levers: products and solutions, mature and new economies, people, while continuing to drive efficiency at all levels.

The new 3-year plan covering 2012 - 2014 includes four major initiatives:



- **Connect to Customers:** this initiative aims at further improving the performance of its business models in order to be a leader in products and in solutions, and to adapt the different dimensions of the customers and partners experience with Schneider Electric when they interact with the Group:
 - **Partner excellence:** continue to grow in products in a win-win relationship with partners by creating new opportunities for Distributors and Partners, leveraging the strength of One Schneider Electric and leading product innovation. This initiative will further reinforce the Group's **leadership** position in the Product Business.
 - **Solution excellence:** leverage the Group's unique value proposition with its solution capabilities, improve equipment cost competitiveness, reinforce execution while being more selective on projects, and boost service sales. This initiative will temporarily impact the Solution Business's growth but will raise significantly its **profitability** and **return** profile.
 - **Tailored supply chain:** bring the supply chain to a new level of excellence by aligning organisation to customer needs and providing differentiated manufacturing and delivery models for each customer segment. This initiative should lead to higher **customer satisfaction** and **inventory efficiency**.
- **Connect Everywhere:** this initiative is designed to identify key investment areas in new economies and create new opportunities in mature countries to be a leader in both types of geographic areas.
 - **Grow in new economies:** expand geographical coverage by increasing the Group's presence in the fast-growing second-tier cities and further penetrate these markets with mid-market segment offerings supported by strong brands with wide local coverage. The initiative will continue to support the **long term**

growth potential of new economies in Schneider Electric's portfolio.

- **Grow in mature countries:** grow activities that develop independently from traditional capex trends with a focus on opex-driven opportunities and new businesses. This includes developing installed base and energy management services, capturing the smart grid opportunity while investing in new businesses in areas such as electric vehicle charging infrastructure, home automation and carbon management. With this initiative, the Group aims to **create its own growth momentum** in the mature countries.
- **Connect People:** the target of this transformation is to create a culture and an environment for the Group's employees' development and performance.
 - **Engaging leaders:** train **leaders** with Schneider Electric University and promote Diversity
 - **Engaged individuals:** support **employee development** via training, empowerment and cross-business mobility
 - **Engaging workplace:** step-up **collaboration** & communities, regroup locations, ensure safety at work, develop the Schneider Way
- **Connect for Efficiency:** this initiative includes the actions aiming at writing a new chapter in the Group's history of profitable and responsible growth.
 - **Industrial Productivity:** raise the bar with tailored supply chain and drive significant industrial productivity through purchasing, footprint optimisation, supply chain flow re-design and transportation rationalisation. This will be supported by a best-in-class planning process by customer segment and an IT system aligned with supply chain segmentation.
 - **Support Functions Efficiency:** leverage scale to drive **savings** on support functions, through non-production purchases rationalisation, more globalisation of corporate functions, simplification of business and country level set-up, and implementation of acquisition synergies. At the same time, the company will continue to **invest** in commercial presence and research and development to support future growth. Total R&D expenses to sales ratio is expected to move towards 5% of sales going forward.
 - **Planet & Society Barometer:** maintain **best-in-class standard** in environmental sustainability and social responsibility. Management compensation is partly tied to barometer performance.



Connect: Key financial benefits for 2012-2014

With *Connect*, Schneider Electric expects Group performance to reach a new level of excellence by 2014.

By 2014

Services growth	→	Outgrow the rest of Group by more than 5 points (on organic basis)
Solutions profitability	→	At least 2 points improvement on the adjusted EBITA margin
Industrial productivity	→	€0.9bn to €1.1bn of cumulated gross productivity
Support functions efficiency	→	At least 1 point decrease of support functions costs/sales ratio* (excl. scope and currency, net of investments)
Inventory efficiency	→	Inventory to sales ratio reduced by ~2 points

* Assuming no severe disruption of the global economy.

Ambitious long term financial targets for attractive shareholder returns

Over the long term, the key company priorities remain focused on profitable growth, cash conversion and capital efficiency. The management views the *Connect* program as another opportunity to improve the Group's through cycle performance on those metrics.

Across the business cycle performance targets:

- sales: average organic growth of GDP + 3 points.

By offer types, sales growth will be driven by Solutions with a targeted profile at GDP + 3 to 5 points. The Group intends to maintain solid Products growth, at a rate of GDP + 1 to 3 points.

** **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 arrears.

By geographies, growth will continue to be driven by New Economies with a targeted growth profile at GDP + 6 to 8 points.

For each of these indicators, the reference basis is world GDP growth on a real basis and at market foreign exchange rates.

- adjusted EBITA: margin between 13% and 17% of sales;
- cash conversion: ~100% of net profit converted into free cash flow.

Across the business cycle capital efficiency targets:

- ROCE**: between 11% and 15%;
- dividend: 50% payout of net income;
- capital structure: retain a strong investment grade credit rating.

Closing of the *One* company programme (2009-2011)

One, the company programme that covered the period 2009-2011 was a big step forward in the Group's transformation. With *One*, Schneider Electric was re-organised into 5 customer-focused businesses and strengthened its integrated portfolio to establish itself as the global reference in energy management. The Group became a leading provider of high value-added solutions. During the course of the programme, solutions have gone from 30% in 2008 to 37% of Group sales in 2011. The company's positions in new economies were also significantly reinforced. New economies represented 39% of 2011 sales (32% in 2008) and about 46% of production costs (41% in 2008). The Group emerged from *One* leaner, simpler and more agile. Under *One*, it simplified its supply chain, reduced the number of its brands (10 active⁽¹⁾ brands versus 120 in 2008), generated about €1 billion of productivity and drove operational efficiency by reducing support functions costs to sales ratio by 1.5 points.

"Our company programme "*One*" was a success and a big step forward in the transformation of the Group's profile. It also laid a very solid foundation for our future: *One brand, One company for our customers and employees, One organisation everywhere, and a far higher efficiency than in 2008*", said Jean-Pascal Tricoire, President and CEO.

(1) Excluding brands from recent acquisitions and in the mid-market.



The *One* programme leant on two fundamentals as cornerstones of Schneider Electric's strategic transformation:

- **Customer 1**: focus on customers, develop customer delight;
- **1 Team**: focus on people development, determination to become an employer of choice and to increase collaboration between the different regions and business groups.

In addition, *One* targeted three transformation priorities:

- **1 Solution Provider**;
- **1 Leader in New Economies**;
- **1 Company**.

> 2. Leader in an industry of the future



Schneider Electric is perfectly positioned to take advantage of growth opportunities linked to the energy challenges facing our planet and to the development of emerging economies.

The activities in which the Group occupies a number-one or number-two position globally accounted for more than 90% of its revenue in 2011, compared with 50% in 2000.

Today, Schneider Electric operates in five major sectors – Utilities and Infrastructures, Industries and Machine Manufacturers, Data Centres and IT Networks, Non-residential Buildings and Residential. The Group has a presence on every continent, with a range of products and services designed to meet the specific needs of local markets.

2.1 Helping our customers make the most of their energy

Schneider Electric is continually strengthening its portfolio of products, services and solutions, in order to provide an integrated energy management offering and to help its customers make their energy:

- **safe**, by protecting people and assets;
- **reliable**, by guaranteeing ultra-secure, ultra-pure and uninterrupted power especially for critical applications;
- **efficient**, by delivering energy efficiency solutions adapted to the needs of each market;
- **productive**, by expanding the use of automation and connectivity and offering services throughout an installation's life cycle;
- **and green**, by offering solutions that are environmentally friendly.

2.2 Seizing opportunities in five growth markets

Schneider Electric serves customers in five major growth markets:

- Non-residential buildings;
- Utilities and Infrastructures;
- Industries and Machine manufacturers;
- Data Centres and Networks;
- Residential;

Meeting their energy challenges is a key growth lever for the Group.

Non-residential buildings: reducing investment and operating costs while offering greater comfort and safety

The non-residential buildings market includes all public, commercial and industrial buildings: offices, hotels, hospitals, shopping centres, schools, sports and cultural centres. This sector has a high energy consumption; energy efficiency is therefore essential and is the object of new and demanding regulations. User requirements have to be met in terms of comfort, security and environmental friendliness, as do the needs of owners and building managers seeking to reduce investment costs and optimise maintenance and operating costs.

Schneider Electric's customers in this sector include users, property developers, design firms, systems integrators, panel builders

and installers, electrical equipment distributors and building management companies.

The Group's products and solutions cover:

- utility management (electricity, gas, district heating, ...);
- management of technical systems (HVAC, lighting, security, ...);
- voice-data-image networks;
- measure and control of energy use and quality;

integrated and decentralised management and control of one or several sites.

Utilities and Infrastructures: ensuring efficiency, reliability and responsiveness

Schneider Electric's main customers in this market are energy operators, water utilities, oil, gas and transportation infrastructures, as well as municipalities.

The global challenges these customers face represent long-term growth prospects for Schneider Electric, and include booming energy demand, the need for increased efficiency to reduce environmental impact, expansion of renewable energies, the evolution of energy market regulations and in particular the



DESCRIPTION OF THE GROUP, AND ITS STRATEGY, MARKETS AND BUSINESSES

LEADER IN AN INDUSTRY OF THE FUTURE

emergence of demand response, and the growing need for real-time control of installations' security and reliability.

The Group's products and solutions cover:

- electrical distribution;
- measure and control of energy use and quality;
- utility management (access control, lighting, HVAC...);
- control and supervision of industrial processes;
- installation and real-time management of smart electricity grids;
- systems facilitating access to electricity (our BipBop programme).

Industries and Machine manufacturers: enhancing productivity, flexibility and efficiency

Schneider Electric provides energy solutions for all segments of this market: mines, cement plants, food-processing industry, material handling and packaging machines. Its customers are end users and companies, engineering firms, systems integrators, OEMs (original equipment manufacturers), electro-intensive industries, panel builders, and electrical equipment distributors.

Energy efficiency is at the heart of the challenges facing industry, which are to reduce production costs, comply with new regulations, and reduce the environmental impact of industrial activity. In addition, rapid industrialisation in new economies and the need to modernise required in industrial installations in mature economies both create significant opportunities for growth.

The Group's products and solutions cover:

- automation and supervision of industrial processes;
- equipment control and supervision;
- measure and control of energy use and quality;
- utility management (access control, lighting, HVAC...);
- integrated and decentralised supervision and control of energy flows for one or several sites;
- tools and services allowing control and optimisation of industrial operations.

Data centres and Networks: guaranteed reliability, availability and efficiency

Data centres are sites filled with servers that process and store billions of digital data in secure, air conditioned rooms. They constitute the central nervous systems of businesses and public departments, and represent a high-potential market thanks to the growing digitalisation of professional and personal activities.

The expansion of data centres implies a significant increase in electricity requirements for servers operation and cooling, and the cost of energy needed to cool server rooms should shortly exceed that for the servers.

The Group offers a complete line up to meet the energy efficiency requirements of data centres and IT networks. Its products and solutions cover:

- energy management and control;
- architecture design and installation audit;
- critical power systems with UPS and generators;
- cooling with a unique hot air containment system;
- monitoring and analysis of online data;
- training;
- maintenance;
- monitoring and security.

Residential services: provide single solutions for comfort and efficiency

Schneider Electric's main customers on this market include electricians, architects and decorators, domotics, lighting or security firms, construction firms, contractors, electrical equipment distributors and large DIY stores, as well as end customers and home owners.

The market for single-family homes and apartment buildings is driven by renovation and refurbishment, especially in mature countries, as well as construction and upgrades, especially in new economies.

Whether for renovation or construction, the challenge is to combine technical constraints, local standards and regulations, as well as users preferences. Users require comfort and aesthetics, but increasingly energy performance, connectivity, security and surveillance too.

The Group's products and solutions cover:

- electrical distribution and data connection panels, and their installation systems;
- LifeSpace control (of energy, heating, lighting, shutters...);
- energy performance (measuring and optimizing usage, alert systems);
- secure energy;
- access control and security systems;
- electric vehicles charging infrastructures.



2.3 Unrivalled leadership in our five businesses

Schneider Electric is leveraging its broad and consistent portfolio of innovative products, integrated and intelligent solutions and its competitive services to meet the requirements of its customers.

Since 2011, the Group's activities have been organised into five businesses that meet the specific needs of their customers:

- **Power**, which covers all low voltage equipment (electrical panels, circuit breakers...) as well as installation and control systems (LifeSpace), renewable energies integration, residential market offering and electric vehicles charging infrastructure;
- **Infrastructure (previously called Energy)**, which specialises in medium voltage applications, especially for infrastructure and electrical utilities: disconnectors, circuit breakers, transformers, medium voltage cells and SCADA (Supervision Control And Data Acquisition) management systems, software for the integrated management of mission critical infrastructure;
- **Industry**, which provides comprehensive solutions for industrial automation and control: advanced HMI (human-machine interface) terminals, power supply, push buttons and indicator lights, optimum temperature control, customised sensors;
- **IT**, which specialises in critical power for data centres: monophase and three-phase UPS, server cabinets, network power control, InRow Cooling Systems;
- **Building**, which facilitates energy efficiency in industrial or commercial buildings through automation and security systems: programmable regulators, centralised building management systems, camera sensors, security monitoring equipment.

All these businesses have significant levers for growth, linked to the growth in energy requirements, to the necessity of developing energy efficiency, to the evolution of electricity grids and of cities throughout the world and particularly in new economies.

The Power business

Number 1 worldwide in low voltage

The Power business is at the heart of the Group's activities and helps meet the world's energy challenges: increase of needs, growing environmental concerns, evolution in regulations, pressure on investment and operating costs, development of renewable sources of energy and, in the near future, of electric vehicles, emergence of smart grids and sustainable cities.

This business represents the backbone of all the Group's activities: its energy management offering is found in almost all the integrated solutions provided by the Group's other businesses to their customers, especially in the residential and non-residential buildings sectors.

In particular:

- for industrial and office buildings, the Power business offers a very wide range of electrical equipment, circuit breakers, transformers, meters as well as monitoring and control systems.
- for the residential market, Power offers electrical distribution equipment and LifeSpace control systems for energy, heating, lighting, shutters, access control, fire alarms, etc.

- the Group ensures integration of renewable energy sources in the electricity grid thanks to our expertise in low- and medium-voltage electrical distribution, conversion and energy management.
- Power also offers a complete range of electric vehicles charging infrastructures, that are both safe (for users, cars, buildings and the grid) and smart thanks to energy management systems that allow in particular to optimise charging time, as well as supporting information and payment services.

The Infrastructure business

Number 1 worldwide in medium voltage and automation

In June 2010, the acquisition of Areva T&D's electrical distribution business completed Schneider Electric's medium voltage portfolio and in particular, strengthened its position in medium voltage network automation for electro-intensive customers and electrical utilities.

The agreement signed in October 2010 for the acquisition of 50% of Electrosshield-TM Samara further strengthened Schneider Electric's offering and position in the medium voltage market, as well as significantly extending its presence in Russia.

Finally, the acquisition of Telvent in 2011, a specialist in integrated management software for electrical, urban and industrial infrastructures, positions the Group on the whole value chain by completing its range of high added value integrated services and solutions and strengthening its presence in many geographies (USA, Brazil...).

These acquisitions have brought Schneider Electric global leadership in medium voltage, allowing the Group to fully leverage the growth opportunities stemming from the emergence of the smart grid as well as from the extension or modernisation of electrical and industrial infrastructures throughout the world.

The Industry business

Number 2 worldwide in automation and industrial control

Thanks to an active policy of partnerships and acquisitions, Schneider Electric has continually strengthened its presence in automation and industrial control.

For its industrial customers and OEMs, Schneider Electric offers programmable logic controllers and automation platforms, specialised configuration, programming, operating assistance and supervision software, as well as a wide range of industrial control products, such as contactors, overload relays and motor circuit breakers, speed drives, motion controllers, sensors, control units and operator terminals.

Lastly, the customised sensors that were previously provided by the CST business (Custom Sensors & Technologies) became part of the Industry business at the start of 2011, bringing with it the biggest range of sensors on the market, and global leadership positions in



1 DESCRIPTION OF THE GROUP, AND ITS STRATEGY, MARKETS AND BUSINESSES

LEADER IN AN INDUSTRY OF THE FUTURE

angular speed sensors and in position and pressure sensors for the automobile, aeronautics and manufacturing industries.

The Industry business accompanies its customers' development: development of economic and industrial activity in the new economies, optimisation of industrial processes, costs and environmental impact worldwide.

The IT business

Number 1 worldwide in critical power and cooling services

A growing number of industries – notably those involved in information technology and finance – require a reliable energy supply and impeccable quality at all times.

A combination of the products of American Power Conversion (APC) and of MGE UPS Systems has allowed Schneider Electric to become the world leader in this market. The Group maintains its leadership by offering a full and competitive portfolio of products, solutions and services, worldwide geographic coverage and distribution channels, and of course, by its permanent commitment to innovation.

The IT business benefits from the growing digitalisation of data, its continual increase in volume and the ever-increasing speed of dissemination.

The Buildings business

Number 4 worldwide in building automation and video security systems

In the last few years Schneider Electric has become one of the world's leading players in technical building management.

The Group offers a comprehensive, innovative range of automation solutions backed by design and supervision software to manage building utilities, based on open and integrated systems. These solutions make it possible to reduce energy consumption, optimise installations, modernise them cost effectively, and reduce maintenance costs. They also enhance comfort and security, an area in which the Group has continually strengthened its activities since the acquisition in 2007 of Pelco, a worldwide leader in the design, development and manufacture of video security systems.

Growth in this business is linked to the expansion of urban and industrial areas, the need to renovate buildings, compliance with new energy regulations and implementation of new building energy standards, the development of energy efficiency and the improvement of operating cost control.

2.4 Proximity to each of our markets

Schneider Electric chose to increase its access to different markets and a large portion of its sales is made through intermediaries such as distributors, systems integrators, installers and purchasing advisors, who all bring their own added value and know-how.

Excellent relationships and customer satisfaction are key priorities

Customer satisfaction is an integral part of Schneider Electric's growth strategy. Every contact with Schneider Electric should be a positive experience that makes all customers, no matter who they are or where they are located, feel, understood and satisfied. This commitment is an important differentiating factor, and customer satisfaction surveys are regularly carried out in all countries in which the Group operates, and employees attend related training programs.

Customers also have access to online diagnostics and support services, an e-catalogue, downloadable software and online information and training.

Distributors: a daily partnership

Distributors account for approximately 50% of the Group's total revenues through an extensive network in 190 countries all over the world.

Schneider Electric works with many different types of distributor: local distributors, wholesalers and non-specialised professional distributors, large international groups such as Rexel, Sonepar, Graybar and Grainger, IT specialists such as Tech Data and Ingram Micro in the United States. In the residential renovation sector, Schneider Electric also sells products through large home improvement chains such as Home Depot and Lowes in the US, Kingfisher in the UK and Saint Gobain Distribution in France. In addition, the Group uses specialist distribution channels for highly technical products such as automation solutions and industrial software, as well as for Pelco-brand access control and security products.

Schneider Electric assists its distributors in advising their customers and helping them to benefit from technical innovations. To maintain a high performance network, the Group works hand in hand with distributors on supply chain issues, technical training and marketing. Internet tools now occupy a dominant position for sales, and above all, up-to-date information. Through the eShop, distributors can link Schneider Electric's product database to their e-commerce sites so that customers have reliable 24/7 access to information. As part of a programme to develop energy efficiency solutions with distributors, the Group has published a catalogue of energy efficiency solutions that suit the needs of different markets and customer segments.



Specifiers: in search of efficient solutions

To meet their customers' growing demands for comfort, ergonomics and design, specifiers (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 uses many information and training tools for specifiers, such as reserved exhibits, electrical installation guides, installation design software and training methods.

Panel builders and systems integrators – a source of solutions

The main objective for Schneider Electric is to help these professionals to extend their competencies by giving them the best level of service available anywhere in the world.

Panel builders, of which there are more than 20,000 throughout the world, make and sell electrical distribution or control/monitoring switchboards, primarily for the buildings, energy and electricity infrastructure markets. Their main customers are contractors. Panel builders mostly buy low and medium voltage devices, such as circuit breakers and contactors, and increasingly, prefabricated systems.

Systems 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).

Contractors – towards a revolution in the residential market

To devise solutions tailored to end-users' specific needs, Schneider Electric works closely with contractors, small specialist or generalist electricians, large companies that install equipment and systems and integrators.

These partners bring value for end customers, first by advising them about the choice of solutions that best suits their needs, and then by installing efficient systems. 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 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.

As much, the EcoXpert programme aims to secure special partnerships with certain installers, with whom Schneider Electric shares all its expertise on renewable energy and energy efficiency solutions. The EcoXpert network is being developed in many countries throughout the world.

OEMs: partners in performance

Original Equipment Manufacturers (OEMs) continuously seek to improve machine performance and optimise maintenance in areas ranging from packaging to textiles, elevators to conveyors, and materials handling and hoisting to HVAC.

Schneider Electric works closely with almost 30,000 OEMs. The Group leverages its expertise and know-how to nurture these special partnerships. This is mainly achieved through:

- an extensive knowledge of OEMs' applications;
- dedicated centres of excellence that offer the most competitive solutions for new machines, in particular, pre-tested, pre-developed and personalised solutions;
- an international customer support to deliver high-performance after-sales service worldwide;
- a dedicated programme for multi-site and/or global OEMs that enhances their ability to offer superior solutions on an international level.

Utilities – meeting the new challenges of changing electrical networks

There are some 11,000 electricity companies around the world. They use Schneider Electric products, systems and services in power generation (electricity for renewable energy production, power plant equipment, automation and control), transmission (quality control and metering), distribution (medium and low voltage networks) and management (pre-payment meters, related services, peak management).

The Group responds effectively to their expectations with applications support and innovative products that help them meet important challenges linked to changes in energy market regulation and the development of renewable energies.

Global strategic accounts – our solutions champions

Schneider Electric has established an organisation which is dedicated to global companies, with a view to developing privileged relationships with them. To meet these customer expectations, the Group offers "preferred supplier contracts" to ensure that they receive services of the highest quality.



This organisation is based on short lines of communication and decision-making, rapid mobilisation of Group resources throughout the world, and dedicated teams in which management is directly involved.

Some 87 global customers benefit from this organisation, including Air Liquide, GlaxoSmithKline, IBM, Lafarge, Marriott, Nestlé, Procter & Gamble, Total, Toyota, Veolia Environnement and Walmart.

2.5 Competitors and participants with varied profiles

One can classify Schneider Electric's traditional competitors into two categories:

- **large non-specialist manufacturers with diversified businesses:** ABB, Eaton, Emerson, General Electric, Johnson Controls, Honeywell, Mitsubishi Electric, Panasonic (formerly Matsushita), Siemens;
- **multinational specialist manufacturers:** Cooper, Hager, Legrand, Omron, Rockwell Automation.

Other competitors are appearing:

- **low-price products, manufacturers notably in low voltage and for indirect markets:** Chint, Legend, Larsen&Toubro.

> 3. R&D Strategy

Among the R&D investments of the last three years, such as the EcoStruxure programme, and the structural acquisitions, such as Areva T&D distribution or Telvent, Schneider Electric has built an exceptional R&D capacity portfolio, combining its acquired knowledge with new expertise, notably in terms of software and engineering systems.

Schneider Electric's R&D strategy aims to fully exploit this capacity for generating growth and profitability by continuing to give priority to innovation, both in terms of technology and solutions.

3.1 Finalisation of EcoStruxure

The EcoStruxure programme moved from the research to the development phase in 2010 and was completed at the end of 2011 with the launch of StruxureWare, an integrated software suite covering all the energy management, process optimisation and environmental reporting needs of companies (shop floor to top floor).

StruxureWare combines Schneider Electric's traditional control solutions with complementary solutions coming from recent acquisitions for energy optimisation and resources and new developments management. The relevance of the main choices for EcoStruxure, such as convergence towards IP networks and web services integration is shown by the flexibility of the whole programme, which Schneider Electric can easily adapt to specific needs of different target market segments.

This flexibility is a strategic advantage for integrating acquisitions. So, just nine months after acquiring Summit Energy, its Dashboard View solution was expanded into a resource management solution that is perfectly integrated into the StruxureWare suite. The original Telvent components have also been integrated into StruxureWare, six months after the acquisition was finalised.

All the StruxureWare components have likewise been designed for many platforms to allow their use to be extended to meet new needs. For example, the *Remote Services Platform* made it possible to develop monitoring services and remote control of equipment in a few weeks, allowing the service strategy for the installed base to be accelerated.

With StruxureWare, Schneider Electric is in a position to fully profit from the market maturity and from the anticipated market consolidation in energy management to thus reinforce its leadership.



3.2 A platforms strategy

The growing digitalisation of products, which provides for more flexibility and the growing share of software within solutions, open new perspectives on the development of shared technological platforms for different businesses. This possibility, already demonstrated by the new components of StruxureWare, can be extended to other Schneider Electric product/solution portfolio domains.

Ambitious programmes were initiated in 2011 to create shared platforms in the embedded control domain and the SCADA (control and monitoring systems) or in the user interface domain, with major innovations such as augmented reality.

In addition to efficiency gains, the platform strategy has major advantages:

- faster integration of acquisitions, as demonstrated by StuxureWare;
- increased ease of integrating outside products into Schneider Electric solutions due to the definition of interoperability standards;
- and therefore, faster innovation.

The **Innovation and Technology Board**, which was created in 2009 and has strongly contributed to the success of the EcoStruxure programme, is behind this strategy and responsible for its management.

3.3 Projects with significant impact

Parallel to the cross-cutting programmes such as EcoStruxure and long-term investments such as the platforms, Schneider Electric's R&D still strongly contributes to the success of the Group's products and solutions.

Large scale collaborative programmes

HOMES is Europe's most important innovation programme for the energy efficiency of buildings. Led by Schneider Electric and supported by OSEO, an agency that supports entrepreneurship and innovation; it involves a total of 13 companies and research laboratories.

The aim of HOMES is to find a number of coherent solutions to improve energy management for buildings without reducing comfort. Covering both new and existing residential and commercial buildings, the program's goal is to produce prototypes ready for manufacture.

In addition, testing has been carried out under the programme at five pilot sites since February 2010, in conjunction with the FFIE (French Federation of Electrical Engineers). The aim is to devise a method for effectively measuring performance for existing buildings, to enable ways of reducing energy consumption to be identified in each case.

At the end of 2011 the programme was used to assess a potential gain of around 20% to 50% on the pilot buildings by using the building energy simulation tool of the CSTB (Building Scientific and Technical Centre). These remarkable results are accompanied by a description of a control functions library to be implemented in order to achieve these gains; this library will be gradually integrated into the Schneider Electric solutions.

The programme has also shown the ability to move directly from the CAD drawings of a building to the simulation of the building's energy performance, thus providing a view of an uninterrupted chain from conception to control.

Finally, one of the major results from the HOMES programme is the completion of a new type of wireless comfort sensor with an autonomous energy supply. The first prototypes for tertiary sector and residential buildings have been completed; they measure temperature, humidity, luminosity and carbon dioxide. This result allows a measurable understanding of the dynamic compromise between energy efficiency and comfort.

MIRTIC is an ENIAC European cooperative programme launched in 2011 with the company Ullis. It responds to a need highlighted by the results of the HOMES programme: the need for a presence sensor (not a movement sensor) for the best possible adaptation of the building control for work, or even for the activity in the different zones. The aim of the programme is to supply a new type of sensor that will use affordable, low resolution infrared technology.

SCUBA is an FP7 European cooperative programme launched in 2011 with the Universities of Cork and Dresden, Philips and the CEA. The SCUBA project aims to define the tools for conception, configuration and the associated integration technologies in order to guarantee interoperability and flexibility of the building control systems. It will use a test platform and a pilot site of the HOMES programme.

MIND aims to improve the productivity of embedded software developments and critical components of "intelligent" products. The component assembly construction technology allows for effective development of reliable and flexible products.

Schneider Electric complements the results of this project with its own research into combining within the same product certified embedded software, which ensures safe operation, and open software enabling related, evolving functions to be developed more rapidly.

The MIND programme also passed from concept to rollout in 2011 with an initial prototype phase underway through the ADN4SE project before a larger rollout of this technology in the embedded control platform mentioned below.

Projects around Smart Grids

2011 saw the start of two major projects involving the smart grids Greenlys and Millener.

GREENLYS: the first large scale demonstrator offering a global vision (www.greenlys.fr). The four-year project will test and rollout innovative solutions for the whole electrical system: decentralised electricity production, communicating meters, distribution network management, new demand reduction programmes, in-home energy management solutions, etc.



The project will form a showcase of technology from 2015 with the development of two platforms in Lyon and Grenoble.

This experiment will involve nearly 1,000 residential customers and 40 tertiary sites in urban areas.

MILLENER: the MILLENER research project (One Thousand Energy Management Installations on the Islands) aims to help reduce user energy consumption and to integrate the intermittent renewable energies more effectively into the distribution networks so as to guarantee the real-time balance between electricity demand and production.

It takes account of the particularities of a non-interconnected isolated network, like that of the islands, and the need to make users aware of how to manage their consumption. These experiments will also include installation of photovoltaic panels, energy storage systems and management of electrical equipment. The experiments will take place in Corsica, Guadeloupe and Reunion.

Co-innovation around electrical vehicle

Ease of charging will be one of the key factors in public acceptance of electric vehicles and is therefore an important line of research for Schneider Electric and its partners.

A close partnership was established with Renault regarding induction charging, dispensing with the need for cable connection. The theoretical studies and the first prototypes showed that the system performance achieved over 90%, meaning a system rollout can be planned and the project has entered the development phase.

Contribution to standards

Effective energy management uses a measure and control that is always more precise, resulting in effective and less expensive means of communication. This is why Schneider Electric is one of the most active members of the ZigBee consortium and is particularly involved in the proposal for a protocol called Green Power, a radio communication with extremely low energy consumption which can be used in self-powered devices (e.g. by solar power).

2011 saw the acceptance of the Green Power standard by the ZigBee consortium, opening the way to applying it industry-wide.

Energy efficiency in buildings is regulated by a European Commission framework directive: the Energy Performance of Buildings Directive

(EPBD), rewritten in 2010, defines the requirements for technical systems, their on-site inspection and in particular for the active control systems such as the automation, control and monitoring systems. Within the context of this directive, a European standardisation committee proposed a standard regarding the impact of these systems on building performance: EN 15232. This standard proposes classifying systems into performance classes in the same way as for electrical domestic appliances but with only four levels A, B, C and D – class A having the highest performance (26% - 52% reduction in energy consumption according to building type), while class D identifies the lack of automation and/or inefficient systems and requires improvement.

In the same spirit, the European association eu.bac (European Building Automation Controls Association), with presidency held by Schneider Electric, in 2009 launched a programme to promote standard EN 15232 consisting of the implementation of periodic inspections on the systems site to check certification as well as to monitor performance over time: EEBACS, for energy efficiency of automation systems. Schneider Electric is the leader of this initiative.

Supporting Sustainable Development

In line with Schneider Electric's commitment to sustainable development within the framework of the BipBop programme, the Company has worked for two years on a project involving a concentrated solar power plant adapted for communities that are not connected to the electrical grid. Compared to photovoltaics, the concentrated solar power process has many advantages in this type of application:

- energy storage capacity, in the form of heat, that is economic, safe and environmentally friendly compared to batteries that can be stolen and need to be recycled at the end of their working life;
- use of residual heat for associated activities, such as crop drying or water purification;
- simple maintenance and ability to build the heaviest and bulkiest components locally.

The project, which brings together Schneider Electric and five smaller companies, has obtained financing from ADEME (Environment and Energy Management Agency) to start on the prototype and to confirm the business model. The project has also received money from the MEDEF (Movement for French Companies) for collaboration between startups (STIRAL) and large companies.

3.4 Human capital

The main force behind Schneider Electric R&D is its global network of 11,000 employees who are directly involved in research and development or technical engineering activities in 26 countries and over more than 70 sites.

In order to profit fully from this collective expertise, an ambitious programme was launched to support the networks of expertise in key domains formally identified according to the Company's strategy. For each of these domains, a formal strategy is defined and implemented by a dedicated network of experts, both internal and external:

- identification of trends and signs of weakness in the domain;
- participation in structured research projects and partnerships;

- structuring of critical domain expertise;
- and implementation in the Group's R&D programmes.

A supplementary network of R&D centres

In addition to ensuring Schneider Electric's presence in the main areas of expertise and innovation, the role of R&D centres is to develop the critical expertise given above for the whole of the Group. It is an additional area of collaboration between members of the Innovation and Technology Board to organise R&D in the centres of excellence located within the Group's five R&D hubs.

Diversified partnerships

In addition to its innovation and R&D initiatives, Schneider Electric pursues an active R&D partnership policy with universities and prestigious institutions, notably Shanghai Jiao Tong University in China; the MIT Media Lab and Georgia Tech in the United States; the CEA (Alternative Energies and Atomic Energy Commission), INRIA (National Institute for IT and Automation Research), École des Mines ParisTech, Institut National Polytechnique de Grenoble and Université Joseph Fourier in France; and Monterrey Institute of Technology in Mexico.

The Group is also involved in numerous collaborative projects with academic and industrial partners in France and the rest of Europe, notably in the areas of energy efficiency and environmental protection.

These partnerships are also made by bilateral agreements or support for chairs, notably the Chair in Modelling for Sustainable Development with ParisTech, the Chair in Bioplastics with the CEMEF Mines ParisTech.

Efficient processes

The design of complex products and solutions requires perfect control of all the tools and methods that have become extremely

complex, from mechatronics to software. Schneider Electric therefore relentlessly invests in these design processes, methods and tools for greater reliability and speed within projects.

Spectacular results were obtained by systemising the simulation at initial stages of the design and now products are mechanically, electrically and thermally simulated before the first prototype is constructed. This approach is progressively being extended to complete systems.

As far as software is concerned, iterative development is becoming the norm. This means customers can comment on the increasing complete versions of a product. Compared to the classic approach, these methods reduce development delays by a factor of two or three and produce products of a much higher quality. For example, the latest version of the energy monitoring solution integrated in StruxureWare was developed three times quicker and with a team of half the size of the previous version.

Finally, the industrialisation processes are accelerated and made more reliable by developing standards for the latest components at a Group level. In addition to the purchasing savings of tens of millions of euros, this programme allowed Schneider Electric to weather Japan's financial crisis with a limited impact on its delivery.



3.5 A source of partnerships and innovation

By studying emerging markets and technological trends, Schneider Electric is able to identify potential growth and innovation opportunities at a very early stage. In 2000 Schneider Electric created an investment structure called Schneider Electric Ventures to invest in high-tech startups whose innovations fit with the Group's future development. Focus areas include energy, communication, automation and the use of advanced materials and electronics. This investment vehicle constitutes a source of particularly productive partnerships and has forged contacts with more than a thousand small and mid-sized businesses around the world each year.

In 2010 Schneider Electric Ventures became Aster Capital Partners with the launch of a new capital investment fund to finance innovative startups operating in the areas of energy and the environment. The fund is based in Paris and has received capital subscription of EUR85 million from Schneider Electric (EUR40 million) and Alstom (EUR30 million), joined in 2011 by Solvay-Rhodia (EUR15 million). Other industrial or financial partners may be invited to join this initiative to create the European benchmark fund specialising in energy and environment.

Aster Capital benefits from the capital investment expertise acquired by the Schneider Electric Ventures team which has since been strengthened by the appointed experts from Alstom and Solvay-Rhodia. The mission of Aster Capital is to take minority interests in innovative startups based in Europe, Israel, North America and Asia, developing new technologies that could lead to major breakthroughs in the fields of energy and the environment. There were two new investments in 2011.

loxus – Investment made in April 2011

The American company loxus specialises in the production of ultracapacitors which are used notably in the hybrid buses and start-stop car engines. These high power density products have the advantage of capturing and releasing energy in a few seconds with a quicker recharge time than lithium-ion batteries, providing nearly 20,000 charging cycles.

Ultracapacitors are less bulky than traditional batteries and can be used for a wide range of applications: hybrid vehicles, wind turbines, UPS, machine tools, etc. More generally, loxus products form high added value elements within the domain of energy storage and solution optimisation, a fast-growing market that could reach nearly 1,000 million dollars in 2015.

Aster Capital invested USD3 million in loxus, supported by the interest in UPS and Energy Metering divisions for products under development.

Avantium – Investment made in June 2011

The expertise of the Dutch company Avantium lies in transforming biomass into biopolymers (designed under the name Furanics) used as base elements for generating bioplastics or bio-fuels. The YXY technology developed by the company allowed them, for example, to develop a PEF plastic bottle from products of 100% plant origin in partnership with The Coca-Cola Company to replace the current PET plastic made from petroleum with competitive performance



DESCRIPTION OF THE GROUP, AND ITS STRATEGY, MARKETS AND BUSINESSES

R&D STRATEGY

and price level. The available markets are vast with noteworthy potential applications in sectors such as carpeting, car equipment and electronics.

Production will begin shortly with the start of the Avantium pilot plant. This equipment – with a 40 tonne annual capacity – was opened in December and financed with money from a consortium of investors, including EUR2.5 million from Aster Capital, convinced of the value of the Company's proposed advances in relation to green plastics.

A deep commitment within the R&D community

Schneider Electric plays an active role in the French and international R&D community, notably in defining strategic R&D programmes and in evaluating projects currently under way or submitted to France's business clusters, **France's national research agency** or European organisations such as **FP7**, **ITEA** (Information Technology for European Advancement), **KIC** (Knowledge Innovation Community), **InnoEnergy** and **PPP E2B** (Public-Private Partnership on Energy-Efficient Buildings). The two main business clusters include **Minalogic**, specialised in microtechnologies, nanotechnologies and embedded software and **Tenerdis**, which focuses on new energy technologies and renewable energies.

Schneider Electric is involved in the main skills network, the Organic Electronic Association, and is a promoter of "green electronics" in relation to its WG-Green working group. It heads up the "Intelligent Product" unit for the Plastipolis business cluster, and participates in discussions with the French scientific community in the context of the Organic electronics research group. Large area electronics also provide an opportunity for innovation for Group products: this technology is likely to bring greater flexibility in design, as well as space gains and new functions on the surface of electronic products: printed buttons, autonomous screens, etc.

Schneider Electric is also a member of the **EMMI** (European Multifunctional Materials Institute) support group, whose main objective is to serve as a common platform for its 15 academic members in seven European countries to define and execute research or educational projects in the area of multifunctional materials. EMMI enables different communities to share views about functional ceramics and organic-inorganic hybrid materials, etc. Environmental issues play a key role in much of the members' resulting work: examples include projects to design new materials or systems to reduce electrical consumption, projects to replace toxic components and a project to develop hypersensitive gas sensors. In this context, Schneider Electric is supporting a thesis begun in 2009, and is backing two thesis subjects for 2011.

> 4. Organisational simplicity and efficiency



The reorganisation of the Group has naturally led Schneider Electric to adapt its organisation so as to have a focus in line with its strategic importance at any time, in any country and in any business.

The implementation of the new organisation was fine-tuned in early 2011, and was accompanied by a wide-ranging corporate culture initiative.

Designed for introduction alongside the reorganisation, the One company programme has, in particular, facilitated the rapid integration of acquisitions, notably that of Areva's distribution arm, which led to the creation of the Group's Energy business (renamed Infrastructure end of 2011). It is also contributing to the establishment of a common corporate culture within the Group.

4.1 An organisation focused on end markets

The year 2011 was dedicated to optimising the operation of the organisational model rolled-out the previous year, the objective being to pursue the advances of the three major changes from the Company's One programme:

- within the scope of the 1 Solution Provider change, the five business lines continued to adapt their organisation to reinforce the closeness of their relationship with the strategic customer segments related to the lines, whether on the level of different countries where the Group is present or at a central level. In the same way, they pursued the development of specific offers for these various end customer segments with priority attention given to the development of "integrated solutions, systems and services" offer types;
- within the scope of the 1 Leader in New Economies change, the efforts for rollout of functions and resources, with a key role in the design of specific offers for the new economies, were pursued and emphasised. The role and the scope of responsibility for Global Functions continued to be strengthened, conforming to the road map defined within the framework of the Company programme;
- streamlining back office functions and standardisation of information system platforms were pursued within the scope of the 1 Company change.

Dual responsibility – products and customers

Schneider Electric is structured into five businesses. Each of the businesses has a dual responsibility in terms of its product lines and end-customer segments.

This dual responsibility for each business responds to the need to be able to excel simultaneously in two areas: selling products, which requires clear technological leadership, and selling solutions,

which means building close customer relationships and acquiring a detailed understanding of end users' needs.

This shift towards solutions is a major focus of the One company program.

Each of the five businesses manages its R&D, Marketing and Sales teams and has responsibility for its global results.

A number of back-office functions such as finance, human resources, IT systems and marketing are handled by the Global Functions, which have a governance role and provide services internally.

These five activities cover the following business areas:

- **Power**, which includes the activities of Low Voltage (electrical distribution), LifeSpace (wiring devices and associated interface devices) and Renewables (conversion and connection to the grid) further to the transfer of Medium Voltage to the Energy business in 2011 (see below); the business is in charge of the end-customer segments Residential and Marine when it relates to solutions integrating the offers of several activities from the Group;
- **Infrastructure**, created in 2011 and previously named Energy, combines all Medium Voltage activities including those from Areva Distribution, as well as Telvent; the business is in charge of the end-customer segments Oil and Gas and Utilities when it relates to solutions integrating the offers of several activities from the Group;
- **Industry**, which includes Automation & Control and three end-customer segments: OEMs, Water Treatment and Mining, Minerals & Metals when it relates to solutions integrating the offers of several activities from the Group, as well as Custom Sensors & Technologies business (Sensors & Automotives), grouped under Industry from 2011;

- **IT**, which covers Critical Power & Cooling Services and two end-customer segments: Data Centres and Financial Services when it relates to solutions integrating the offers of several activities from the Group;
- **Buildings**, which includes Building Automation and Security and four end-customer segments: Hotels, Hospitals, Office Buildings and Retail Buildings.

Rationalisation and optimisation of synergies

The organisation is deployed in accordance with three key concepts: specialisation, mutualisation and globalisation. **Specialisation** mainly concerns sales and front-office operations. **Mutualisation** covers local back-office operations at the country and regional level. **Globalisation** concerns the six support functions, now known as Global Functions:

- Finance;
- Marketing;
- Supply chain;
- Human resources;
- Strategy & Innovation;
- Information systems.

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

- **Specialisation**: in each country, each business has its own sales force and local leader as soon as it reaches critical mass. It also has a specialised front office 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-customer segments within its scope). Over the course of 2011, the main efforts in this area focused on strengthening, and in certain cases, implementing teams dedicated to meeting the specific needs of strategic customer segments with a strong focus on the collaboration between the business lines, in order to ensure these customer's needs are met as fully as possible. In addition, the 2011 rollout

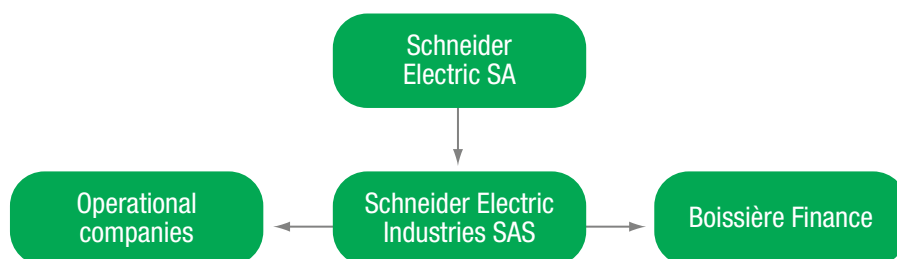
of a common Customer Relation Management (CRM) tool for all the businesses, for use from the end of 2011 by 17,000 front office equipment users, represented an important improvement for better sharing of sales opportunities between the various business lines.

- **Mutualisation**: a country President is appointed in each country to oversee the Power business (and therefore, of its income statement), deployment of Schneider Electric's strategy in the country (including all local cross-functional issues such as increasing cross-selling among businesses) and pooling of local back-office resources. These resources are gradually brought together in each country or region under the country President's supervision and can include multiple local support functions ranging from administration to project execution, depending on the situation. In addition, the country President serves as Schneider Electric's main representative in the country, notably in dealings with employees and local officials. The significant advances to note for 2011 in terms of this objective lie in the alignment between the information systems development plan in the different regions and the back office integration projects resulting from the creation or acquisition of various entities in different countries.
- **Globalisation**: major support functions that are not specific to a given country or business are gradually globalised to increase experience and leverage a significant scale effect. Manufacturing and supply chain operations, areas of shared services or expertise (such as finance or human resources), information systems and certain marketing functions (e.g. web services) are now included within the Group's Global Functions. Over the course of 2011, these various Global Functions have followed their structuring and rollout approach at a global level. In particular, the volume of operations dealt with by the service centres shared by the Finance and Human Resources functions (Finance shared services and HR shared services) has been a significant development.

Geographic dimension and legal structure

The Group's goal is to establish, and where possible, a single legal structure in each country.

Schneider Electric's simplified legal organisation chart is as follows:



The list of consolidated companies is provided in note 32 to the consolidated financial statements (see pages 205 and following).

Boissière Finance is the Group's centralised cash-management structure; it also centralises hedging operations for all subsidiaries.



4.2 A more modular approach to information systems

In 2011 Schneider Electric continued with the redesign of its IT strategy, in order to gradually roll out a common model aimed at simplifying and standardising operations. This model is developing towards a more open architecture, capable of deploying faster and less inter-dependent IT platforms to allow for easier upgrades at a lower cost.

Four platforms are being rolled out for employee management, customer relations, back-office functions and R&D support systems.

The gradual roll out of an SAP-based information system known as "bridge" is now focused on back-office functions. After pilot testing in India, Hungary, Austria, Croatia, Romania, Slovakia and Slovenia, in 2011 the bridge core system has continued to be rolled out various countries and entities. The roll out will continue in 2012.

This thinking at Group level was facilitated by the globalisation of information systems within a single IT function created in 2009 that has a governance role and provides services internally. This move towards globalisation mainly involved:

- gradually deploying a single IT Department that serves all businesses and users within Schneider Electric in a uniform manner. To achieve this, the most qualified and competitive providers – both internal and external – will be used as needed;
- gradually setting up a global IT infrastructure (networks, data centres, distributed computing and help desk) that is independent of the various managerial lines and that makes the most of the Group's critical size and accumulated experience.

4.3 Worldwide redeployment of production and supply chain resources

Schneider Electric has more than 260 production sites and 110 distribution centres around the world for whom customer satisfaction is the top priority.

While working constantly to improve occupational health and safety and environmental protection, the Group's manufacturing policy aims to fulfil four key objectives (listed in order of importance):

1. deliver a level of quality and service that meets or exceeds customer expectations;
2. achieve competitive product costs and keep increasing productivity;
3. develop the speed and efficiency of the system and limit production sites' risk exposure (currency parity, geopolitical risks and changes in cost factors);
4. optimise capital employed in manufacturing operations.

A number of the production facilities and distribution centres 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 standardises key components as much as possible. This global/local approach helps Schneider Electric maximise economies of scale and optimise profitability and service quality.

Drawing on its global scope, the Group has re-balanced and optimised its manufacturing and supply chain resources. The Group launched a new stage in its industrial deployment in 2010. As part of the Group's new organisation, the Power business production and supply chain resources have been globalised and combined under a single organisation, with global operating responsibility. Previously, these resources were organised by region and reported to the various Operating Divisions.

In Western Europe, the United States, Japan and Australia, rightsizing plans continued to be deployed with a focus on specialising production and supply chain units and reducing the number of sites.

Continuous improvement on a global scale

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

Schneider Electric's plants and products comply with increasingly extensive and stringent European regulations and with international standards governing environmental protection in all host countries. In many cases, the Group anticipates future standards. In 1992, Schneider Electric defined a formal environmental policy, which was revised in 2004 to take account of changes both inside and outside the Group. This policy is designed to improve production processes, promote eco-design, integrate customer expectations into the Group's environmental protection approach and raise awareness among all employees and partners about environmental protection and energy efficiency. In order to limit risks related to the environment generally, the Group has implemented an ISO 14001-compliant process to continuously improve the environmental performance of its plants and supply chain centres.

External environmental audits were implemented in 2011 that were responsible for validating this process as well as for the consistency of assessments.

The segmented response to customers' needs

Since 2011, a new approach to progress was initiated in terms of the search for responses that were better adapted to industrial operation for each customer segment (distributors, partners, panel builders, etc.).

This change will be based on six major areas:

- the functionality of the industrial and logistic process;
- industrial planning;
- reinforcement of skills in the target jobs;
- optimisation of the industrial operation (suppliers, factories, distribution);
- alignment of the information systems strategy with this segmentation;
- adaptation of the performance measurement.

Schneider Electric's plants and products comply with increasingly extensive and stringent European regulations and with international

standards governing environmental protection in all host countries. In many cases, the Group anticipates future standards. In 1992, Schneider Electric defined a formal environmental policy, which was revised in 2004 to take account of changes both inside and outside the Group. This policy is designed to improve production processes, promote eco-design, integrate customer expectations into the Group's environmental protection approach and raise awareness among all employees and partners about environmental protection and energy efficiency. In order to limit risks related to the environment generally, the Group has implemented an ISO 14001-compliant process to continuously improve the environmental performance of its plants and supply chain centres.

4.4 Global, selective purchasing

Purchases correspond to around 50% of consolidated revenue and play a crucial role in the Group's technical and business performance. The Group has globalised 70% of purchases from strategic suppliers and aims to increase local sourcing in emerging markets to more than 50% as part of its programme to re-balance costs and revenue.

Schneider Electric primarily purchases raw materials such as silver, copper, aluminium, steel and plastics, as well as components,

electronic products and services. The supplier list includes international firms, as well as many small and medium-sized companies. Suppliers are selected for their know-how, the quality of their products and services, their competitiveness, their ability to support the Group's globalisation approach and their compliance with environmental and human rights requirements. As a supporter of the United Nations' Global Compact, the Group encourages suppliers to join as well. A sustainable development agreement sets out each party's specific commitments.

> 5. Risk factors

As described in Chapter 3.10 Corporate Governance, Schneider Electric regularly analyses the risks and threats it faces, which has revealed six major risk categories as follows:

- operating risks that also include the «solution» business, supplier risks and competitive threats;
- industrial and environmental risks that also include risks such as natural catastrophes and political disturbances;
- computer risks and internet-security threats;

- market risks covering currency risks and commodity price fluctuation risks;
- legal risks that also cover intellectual property;
- litigation and related risks.

The Group's main risks and threats are summarised in a chart of overall risks based on their impact and probability.

Risk factors related to the Company's business

The Group operates worldwide, in competitive and cyclical sectors

The worldwide markets for the Group's products are competitive in terms of pricing, product and service quality, development and introduction time and customer service. The Group faces strong competitors, some of whom are larger or developing in certain lower cost countries. It is exposed to fluctuations in the economic growth cycle and to the respective levels of investments of the different countries in which it is present. The Group's widespread geographic coverage and diversified end markets enable it to ride downturns on specific markets.

As the Group records 39% of its revenue in emerging or developing countries, it is exposed to the risks associated with those markets.

The Group's wide international presence exposes it to many economic, legal and political risks in its host countries. 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 which may have an adverse effect on the Group's business, results of operations or financial position.

Schneider Electric has implemented procedures designed to protect it as far as possible from these risks, which are generally beyond its 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 organisational levels of the Group (see the section entitled "Internal Control and Risk Management"). The Group also has the necessary competencies to manage these risks, mainly through its central functions (finance, legal, tax and customs).

The protection provided by these measures may nevertheless prove to be inadequate.

The growth and success of the Group's products depend on its ability to develop new products and services and adapt to market and customer needs

The sectors in which the Group operates experience rapid and significant changes due to the introduction of innovative technologies. Introducing new technology products and innovative services, which Schneider Electric must do on an ongoing basis to meet customers' needs, requires a significant commitment to research and development, which may not result in success. The Group's revenue and margins may suffer if it invests in technologies that do not function as expected or are not accepted in the marketplace or if its products, systems or service offers are not brought to market in a timely manner, become obsolete or are not responsive to our customers' requirements.

To meet these challenges, the Group has an R&D budget which, at 4 to 5% of revenue, is among the highest in the industry. R&D and forward-looking engineering involves some 11,000 employees around the world, a number of them in development centres located in over 26 countries. This ongoing commitment has allowed the Group to accelerate time to market and leverage the technology of strategic partners with whom it has also forged alliances to expand its line up or geographic coverage. The Group has brought together all of its electrotechnical, electronic, electromechanical, software and other technical competencies by creating technology parks in China, the US, France and Japan.

Support centres have also been established in Mexico, India and China to provide the technology parks with additional skills and development capacity at a very competitive cost.

The Group's business growth depends on its ability to develop, deepen and enhance customer relationships. The Group must constantly offer customers innovative solutions built around high-quality products and services incorporating leading-edge technologies that are closely tailored to customer needs and expectations. However, the Group does not have any exposure to a particular customer. Its ten largest customers represent less than 25% of total revenue.

Increasing customer satisfaction rates represents an important source of competitive advantage for the Group. It closely tracks the results of the quarterly surveys conducted in more than 80 countries among all types of customers. Improvement targets are set for each country as part of the One company program, backed by specific action plans and progress monitoring procedures.

Schneider Electric's strategy involves growth through acquisitions, joint ventures and mergers that may be difficult to execute

The Group's strategy involves strengthening its capabilities through acquisitions, strategic alliances, joint ventures and mergers. Changes in the scope of consolidation during 2011 are described in note 2 to the consolidated financial statements (Chapter 5).

External growth projects are examined in detail by the businesses and corporate functions (strategy, finance, legal affairs, tax and human resources) concerned, under a rigorous internal process developed and led at Group level. A launch committee is responsible for initiating the review process to identify the risks and opportunities associated with each external growth project, while a number of validation committees review the results on an ongoing basis. Projects that successfully come through the review process are submitted for approval to the Group Acquisitions Committee made up of the main members of senior management. The largest projects require the prior approval of the Management Board and, in some cases, the Supervisory Board.

External growth transactions are inherently risky because of the difficulties that may arise in integrating people, operations, technologies and products, and the related acquisition, administrative and other costs.

This is why an integration procedure for new acquisitions has been drawn up. The integration of newly acquired businesses is a process that extends over a period of six to 24 months depending on the type and size of the newly acquired unit. The integration scenario for each acquisition varies depending on whether the business was acquired to strengthen or extend the Group's existing line-up or enter a new segment. There are a number of different integration scenarios, ranging from total integration to separate organisation. An integration plan is drawn up for each acquisition and submitted to the Acquisitions Committee for approval. The plan is implemented by an integration manager who reports to a Steering Committee that initially meets at monthly intervals and then on a quarterly basis.

The unit that presents the external growth project is accountable to the Group's senior management for meeting clearly defined business plan targets covering the performance of the new business and expected synergies with existing businesses. Actual performance is measured against business plan targets during quarterly business reviews and, for the largest acquisitions, by the Management Board and Supervisory Board.

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 five 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 measurement 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 8.1% at December 31, 2011, slightly down on the 2010 figure. The perpetuity growth rate was 2%, unchanged on the previous financial year.

Goodwill is allocated to a Cash Generating Unit (CGU) when initially recognised. 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 in 2011 (CGU), i.e. the Power,



Infrastructure, Industry, IT, Buildings and CST businesses. Details on asset impairment are provided in note 1.11 to the consolidated financial statements (Chapter 5).

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

The Group is dependent upon hiring and retaining highly qualified management and technical personnel

Competition for highly qualified management and technical personnel is intense in the Group's industry. Future success depends in part on the Group's ability to hire, assimilate and retain engineers, salespeople and other qualified personnel, especially in the area of energy efficiency solutions.

The Group put in place a "Workforce strategic planning" process in 2011 in order to more effectively face this challenge. It allows

managers to anticipate their needs for certain key competences and to implement HR solutions to recruit or improve these competences. Group employees will also be able to benefit from this process by acquiring new knowledge, vital for the Company's success.

The Group's success also rests on a policy of actively promoting diversity, in terms of both gender and nationality.

The Group's human resources strategy is designed to create a motivating working environment. Specific policies have been developed covering international mobility, career development, training, compensation and managing talent. The Group's expatriates help prepare the future of its business, build local teams and assemble the necessary skill sets in targeted regions. They are tasked with identifying and preparing local successors. The Group places considerable emphasis on training to expanding its skills base and retaining employees, thanks to the Schneider Electric University, its business academies and its leadership programs.

Industrial and environmental risks

The Group may be the subject of product liability claims and other adverse effects due to defective products, design faults or harm caused to persons and property

Despite its testing and quality procedures, the Group's products might not operate properly or might contain design faults or defects, which could give rise to disputes in respect of its liability as seller or manufacturer, notably in Europe, where liability related to defective products could lead to a loss of revenue, claims under warranty and legal proceedings. Such disputes could result in a fall-off in demand or harm Schneider Electric's reputation for safety and quality. To prevent or limit these risks, the Group recalls products if there are any doubts whatsoever that a product or one of its components is not 100% safe in respect of people and/or equipment. At the end of 2009, the Group launched a broad recall campaign concerning a range of low voltage capacitors produced between 2004 and 2008. This campaign continued in 2010 and 2011 and will be concluded in this first quarter of 2012. Another broad recall campaign concerns a global campaign to recall Vigi Compact NS/NSX circuit breakers produced from 2009 to 2011, which started in 2011 and must be continued in 2012 and 2013. Other product recall operations have been started in 2011 and are mentioned for the record because, due to their local nature, the type of risks caused, or the number of products involved, they have a lesser impact on the Group.

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

The Group recorded a provision for product risk in an amount of EUR420 million in the financial statements for the year ended December 31, 2011 (see note 23 to the consolidated financial statements).

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

The Group's plants and products are subject to extensive and increasingly stringent environmental laws and regulations in all of its host countries.

To limit risks related to the environment in general, the Group is involved in a process to continuously improve the environmental performance of its plants and products. In 1992, the Group published a formal environmental policy designed to improve manufacturing processes, promote eco-design and integrate customer concerns in the area of environmental protection. This policy also aims to identify, assess and prevent environmental risks, in order to guarantee full compliance with all environmental laws and regulations applicable to the Group's businesses, particularly those in force in the European Union and considered more rigorous (notably the WEEE, RoHS directives and REACH programme). Environmental provisions are booked when the risks can be reliably measured or it is probable that clean-up work will be performed and the related cost can be reasonably estimated. Provisions for environmental risks totalled EUR57 million for the year ended December 31, 2011. If no risk has been identified, Schneider Electric will not estimate the financial cost of environmental risks. The Group expects its spending on environmental compliance programs to increase as a result of changes to existing environmental regulations and the introduction of new regulations.

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

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

If the Group fails to conduct its businesses in full compliance with the applicable environmental laws and regulations, the judicial

or regulatory authorities could require the Group to conduct investigations and/or implement costly clean-up measures to deal with the current or past contamination of current or former 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.



Information systems risk

The Group operates, either directly or through service providers, a wide range of highly complex information systems (servers, networks, applications, databases, etc.) that are essential to the efficiency of its sales and manufacturing processes. Failure of any of these hardware or software systems, a fulfilment failure by a service provider, human error or computer viruses could adversely affect the quality of service offered by the Group.

The Group regularly examines alternative solutions to protect against this type of risk and has developed contingency plans to mitigate the effects of any information system failure. Dedicated governance structures have been set up to manage relations with service providers responsible for outsourced IT systems operations.

Problems may also be encountered during the deployment of new applications or software. In particular, in the last few years, the Group has developed an information system under SAP (bridge), which it started to roll out in 2008. This roll-out process was

carried out fully or partially in 17 countries in 2009 and 2010, and will continue in 2012 and over several more years, depending on strategic, technical and economic priorities.

In view of the project's complexity, extensive functionalities and its worldwide deployment, a dedicated governance and cost control structure has been set up to track attainment of project milestones and limit the related risks.

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

Market risks

Interest rate risk

The Group is exposed to risks associated with the effect of changing interest rates. Interest rate risk on borrowings is managed at Group level, based on consolidated debt and according to market conditions. The core aim of interest rate management policies is to optimise overall borrowing costs. Most bond debt is fixed rate. At December 31, 2011, 81% of the Group's gross debt was fixed rate.

Maturities of financial assets and liabilities are presented in note 26.4 to the consolidated financial statements.

A 1% change in interest rates would have an impact of around EUR12 million on the Group's net financial expense.

The financial instruments used to hedge the exposure of the Group to fluctuations in interest rates are described in note 26 to the consolidated financial statements for the year ended December 31, 2011.

The Group's international operations expose it to the risk of fluctuations in foreign exchange rates

Due to the fact that a significant proportion of transactions of Schneider Electric are denominated in currencies other than the euro, the Group is exposed to currency risk. If the Group is not able to hedge them, fluctuations in exchange rates between the euro and these currencies can have a significant impact on its results of operations and distort year-on-year performance comparisons.

The Group actively manages its exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates. Hedging programs mainly concern foreign currency receivables, payables and operating cash flows, which are generally 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.

The Group's currency hedging policy is to protect subsidiaries against risks on all transactions denominated in a currency other than their functional currency. More than twenty currencies are involved, with

the US dollar, Hong Kong dollar and UK pound representing the most significant sources of risk. The financial instruments used to hedge the exposure of the Group to fluctuations in exchange rates are described in note 26 to the consolidated financial statements for the year ended December 31, 2011 (Chapter 5).

In 2011, revenue in foreign currencies amounted to EUR16.1 billion, including around USD5.7 billion and 2.6 billion in Chinese yuans.

The main exposure of the Group in terms of currency exchange risks is related to the US dollar and to currencies influenced by the US dollar. The Group estimates that in the current structure of its operations, a 5% increase of the euro compared to the US dollar would have a negligible impact on operating margin (translation effect of EUR30 million on EBITA).

Equity risk

Exposure to equity risk primarily relates to treasury stock and shares in AXA. These positions are not hedged. At December 31, 2011, the market value of AXA shares were slightly below their acquisition cost.

An increase in raw material prices could have negative consequences

The Group is exposed to fluctuations in energy and raw material prices (in particular steel, copper, aluminium, silver, lead, nickel, zinc and plastics). If the Group is not able to hedge, compensate or pass on our increased costs to customers, this could have an adverse impact on its financial results.

The Group has, however, implemented certain procedures to limit its exposure to rising non-ferrous and precious raw material prices. The purchasing departments of the operating units report their purchasing forecasts to the Corporate Finance and Treasury Department. Purchase commitments are hedged using forward contracts, swaps and, to a lesser extent, options.

The financial instruments used to hedge the exposure of the Group to fluctuations in raw material prices are described in note 26 to the consolidated financial statements for the year ended December 31, 2011.

In 2011, purchases of raw materials totalled around EUR1,800 million, including around EUR1,100 million for non-ferrous and precious metals, of which roughly 55% was for copper. The Group enters into swap and options agreements in order to hedge all or part of its non-ferrous and precious metals purchases. Decisions to hedge such purchases depend on Group forecasts of changes in market prices. At December 31, 2011, the Group had hedged positions with a nominal value of EUR171 million on these transactions.

Counterparty risk

Financial transactions are entered into with carefully selected counterparties. Banking counterparties are chosen according to the customary criteria, including the credit rating issued by an independent rating agency.

Group policy consists of diversifying counterparty risks and periodic controls are performed to check compliance with the related rules.

In addition, the Group takes out substantial credit insurance and uses other types of guarantees to limit the risk of losses on trade accounts receivable.

Liquidity risk

Liquidity is provided by the Group's cash and cash equivalents and commercial paper programs. These programs are backed by undrawn confirmed lines of credit. At December 31, 2011, the Group had access to cash and cash equivalents totalling EUR2.8 billion. As of December 31, 2011, the Group had EUR2.8 billion in undrawn confirmed lines of credit, of which EUR2.3 billion matures after December 2012.

The Group's credit rating enables it to raise significant long-term financing and attract a diverse investor base. The Group currently has an A- credit rating from Standard & Poor's and an A3 credit rating from Moody's. The Group's liabilities and their terms and conditions are described in note 24 of Chapter 5.

In line with the Group's overall policy of conservatively managing liquidity risk and protecting its financial position, when negotiating new liquidity facilities the Group resists 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 and material adverse change clauses. As of December 31, 2011, no financing or confirmed lines of credit were subject to covenants requiring compliance with financial ratios.

The loan agreements or lines of credit for some of the Group's liquidity facilities include cross default clauses. If the Group were to default on any of its liquidity facilities, it 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, for the majority of contracts, and this event triggers a downgrading of the Company's rating. At December 31, 2011, the amount of financing and lines of credit with these types of provisions came to EUR5.5 billion.

Legal risks

The Group's products are subject to varying national and international standards and regulations

The Group's products, which are sold in national markets worldwide, are subject to regulations in each of those markets, as well as to various supranational regulations. Those regulations include trade restrictions, tariffs, tax regimes and product safety standards. 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 profitability and earnings.

The Group's products are also subject to multiple quality and safety controls and regulations, and are governed by both national and supranational standards, though the majority of products comply with world-recognised International Electrotechnical Commission (IEC) standards. Costs of compliance with new or more stringent standards and regulations could affect its business if the Group is required to make capital expenditures or implement other measures.

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

The Group's future success depends to a significant extent on the development and maintenance of its intellectual property rights. Third parties may infringe the Group's intellectual property rights, and the Group may expend significant resources monitoring, protecting and enforcing its rights. If the Group fails to protect or enforce its intellectual property rights, its competitive position could suffer, which could have an adverse effect on its business.

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

Disputes, claims, litigation and other risks

Following public offers launched in 1993 by SPEP (the Group holding company at the time) for its Belgian subsidiaries Cofibel and Cofimines, Belgium initiated proceedings against former Schneider Electric executives in connection with the former Empain-Schneider Group's management of its Belgian subsidiaries, notably the Tramico sub-group. At the end of March 2006, the Brussels criminal court ruled that some of the defendants were responsible for certain of the alleged offenses and that certain of the plaintiffs' claims were admissible. The plaintiffs claim losses of EUR5.3 million stemming from management that reduced the value of or undervalued assets presented in the prospectus, as well as losses of EUR4.9 million concerning transactions carried out by PB Finance, a company in which Cofibel and Cofimines had a minority interest. In its ruling, the court also appointed an expert to assess the loss suffered by those plaintiffs whose claims were ruled admissible. The expert's report was submitted in 2008. The defendants and the companies held civilly liable contest the amounts provided by the legal expert in their entirety on the basis of such reports drawn up by Deloitte. Schneider Electric and its Belgian subsidiaries Cofibel and Cofimines were held civilly liable for the actions of their senior executives who were found liable. Schneider Electric is paying the legal expenses not covered by insurance of the former executives involved. After a settlement agreement was signed with a group of plaintiffs, the case is pending before the Brussels Appeals Court, as there has been an appeal against parts of the March 2006 ruling or a ruling given in 2011 by the Court of First Instance on the admissibility of the plaintiffs' claims.

In addition, the new owners of the Tramico sub-group, to which a Cofimines subsidiary had advanced funds during the sub-group's liquidation, refused to pay back the funds and asked for

the cancellation of disposal agreements and agreements granting advances for wilful misrepresentation, also claiming compensation for having been implicated in the Belgian legal proceedings. The parties took the matter to a court of arbitration but at the end of June 2011 the court gave a ruling that refused to grant the application. Relations between the parties then improved and they signed a settlement agreement putting an end to their dispute. Based on this agreement, the new owners are paid a settlement representing the main part of the advances on the principle amount and have given up the guarantees that were awarded to them.

In connection with the divestment of Spie Batignolles, Schneider Electric booked provisions to cover the risks associated with certain major contracts and projects. Most of the risks were closed during 1997. Provisions were booked for the remaining risks, based on management's best estimate of the expected financial impact. Nevertheless, certain new files implicating the Group for Spie Batignolles' past activities could still arise and result in costs.

Schneider Electric, in addition to other sector companies, has been involved in legal proceedings initiated by the European Commission with regard to an alleged agreement concerning gas insulated switchgears (GIS), and this was because of two former subsidiaries operating in the high voltage segment that were sold in 2001. Schneider Electric did not appeal the decision made by the Commission with regard to this matter on January 24, 2007 and was fined EUR8.1 million of which it claimed two-thirds reimbursement from its two former subsidiaries.

In the same context, EDF Energy UK launched a claim for damages of GBP15 million at the High Court in London on May 21, 2010. This claim is currently being investigated.



Schneider Electric was also among 2,000 companies based all over the world that were mentioned in the Volcker report on the Oil for Food programme published by the UN in October 2005. It was investigated by the French judicial system in 2010 with regard to this report, which stated that the Group had entered into agreements with Iraqi government between 2000 and 2004, under which surcharge payments are alleged to have been made to the Iraqi government of around USD450,000, violating the provisions of the embargo in force at that time.

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 products and work contracts.

Although it is impossible to forecast 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 earnings of the Company and/or the Group.

Insurance

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

This strategy entails:

- identifying and quantifying the main areas of risk;
- preventing risks and protecting industrial equipment; having audits carried out at critical industrial sites by an independent prevention company, self-evaluation of risks for the other Group sites;
- organising and deploying business continuity plans and crisis management resources, notably for health risks such as pandemics, technical and political risks and natural disasters;
- carrying out hazard and vulnerability studies and safety management for people and equipment;
- maintaining the necessary insurance cover for the main risks facing Group companies under global programs. The Group carefully screens insurance and reinsurance companies and evaluates their solvency.

In addition, the Group has taken out specific cover in response to certain local conditions, regulations or the requirements of certain risks, projects and businesses. To extend guarantees and reduce budgets, the Group coordinates purchasing of local cover.

Liability insurance

The integrated global liability insurance plan set up in 2007 was continued until December 31, 2011. A new insurance plan was put in place on January 1, 2012 with a new lead insurer providing suitable terms and limits for the current size of the Group and the changes in its risks and agreements.

Certain specific risks, such as aeronautic or environmental risk, are covered by specific programs.

Property damage and business interruption insurance

The global insurance plan put in place on July 1, 2010 for an initial duration of two years has been extended until June 30, 2013. This is an "all risks except" contract which covers events that could affect Schneider Electric's property (notably fire, explosion, natural disaster, machinery breakdown) as well as operating losses resulting from the risks. Settlements under the global plan are capped at EUR350 million per claim and specific limits apply to certain risks, such as natural disasters and machinery breakdown. These limits were determined on the basis of scenarios of loss established by specialists and available capacity in the insurance sector.

Assets are insured at replacement value.

Shipping and transport insurance

On January 1, 2009, Schneider Electric implemented a new global shipping/transport insurance program that covers all goods shipments, including between Group facilities, by all means of transport, with a maximum insured value of EUR15.2 million per convoy. This plan was continued in 2011 was renewed on January 1, 2012.

Erection all risk insurance

An erection all risk insurance plan was set up on April 1, 2011 in order to cover the development of our services and solutions. This plan aims to provide cover for damages to work and equipment for projects taking place at our clients' premises.

Self insurance

To optimise costs, Schneider Electric self-insures certain frequent risks through two captive insurance companies:

- outside North America, a captive reinsurance company based in Luxembourg offers damage and civil liability coverage capped at EUR10 million per year;

- in North America, a captive insurance company based in the US (Vermont) is used to standardise deductibles for Civil Liability and Road Accident primary policies. Self-insured retentions range from USD1 million to USD5 million per claim, depending on the risk. The maximum annual retention is USD15 million for Civil Liability risk. An actuary validates the provisions recorded by the captive reinsurance company each year.

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

Cost of insurance programs

The cost of the Group's main insurance plans, excluding captive reinsurance, totalled around EUR21 million in 2011.





DESCRIPTION OF THE GROUP, AND ITS STRATEGY, MARKETS AND BUSINESSES
RISK FACTORS



Sustainable development

1. Sustainable development at the heart of our strategy	44
2. Green and responsible growth driving economic performance	52
3. Schneider Electric's Commitment to Environmental Performance	60
4. Committed to and on behalf of employees	70
5. Schneider Electric, a responsible corporate citizen	81
6. Methodology and audit of indicators	90
7. Indicators	98

> 1. Sustainable development at the heart of our strategy

Social and environmental commitments, governance, reducing CO₂ emissions, launching serious solutions that respect the planet, social changes, local and regional footing, civic attitude, ethics, business and poverty – the challenges of sustainable development have never been as significant to Schneider Electric's customers and stakeholders as they are today.

The Group is committed to meeting energy challenges while acting civically and responsibly in all its locations, with measured improvement plans, based on international corporate social responsibility, whose results are audited and shared openly internally and externally.

1.1 Schneider Electric's approach to sustainable development

A concrete, innovative, human commitment

Responsibility has always been a part of Schneider Electric's culture. Since the Sustainable Development Department was founded 10 years ago, this commitment has evolved in line with the Group's continuing innovation. The Group's sustainable development policy initially focused on internal issues, plus initiatives for the professional integration of French youth; today, it also accounts for solutions that help meet the energy challenges of our time (energy efficiency and access to energy) as well as worldwide environmental and societal responsibility.

Schneider Electric's commitment to offering sustainable and responsible solutions for its customers aims to:

- bring products and solutions to the market that waste less energy and promote environmentally sound production and consumption;
- bring energy to the 1.3 billion ⁽¹⁾ people who have no access to electricity and provide sustainable economic development.

Besides, Schneider Electric's corporate commitment means dynamic societal and environmental responsibility, based on the Group's employees:

- responsible, ethical governance;
- sites and products which respect the environment;
- fostering employee well-being;
- a policy that supports and develops the communities where Schneider Electric operates.

A commitment to action

Schneider Electric has set out four principles to put its commitment into actions (details on following pages):

- a continuous improvement process driven by the dynamic Planet & Society Barometer;
- regular and transparent communication (quarterly Planet & Society Barometer newsletter);
- open dialogue with stakeholders;
- an approach based on international standards, codes and global policies.

Schneider Electric uses its global human resources policies (see pages 70-80), external commitments (see pages 47-48), ethical code of conduct and the associated professional alert program (see pages 57-58) to especially strive for respect of human rights in all its aspects: non-discrimination, abolition of forced labour, prohibition of child labour, freedom of association and the right to collective bargaining, health and safety, training, remuneration, social coverage, etc.

The Company extends this commitment to civil society through its community support and development program (see pages 81-89): the right to decent living standards (access to energy program, Foundation emergency relief programs), the right to education and training (training program for the poorest populations, integration program in France), local economic development (social investment funds, entrepreneurship support).

Schneider Electric works to share this vision with its partners (see pages 56-57), starting with its suppliers by encouraging as many of them as possible to sign the United Nations Global Compact.

(1) Source: International Energy Agency – World energy poverty 2010.

Open dialogue with stakeholders

Stakeholder	Dialogue	Department
Customers	<ul style="list-style-type: none"> Quarterly customer satisfaction surveys Online publication of environmental information on products EcoXperts Program 	Quality, Customer Satisfaction, Eco-design, Energy Efficiency & Solutions
Shareholders and investors	<ul style="list-style-type: none"> Quarterly telephone conferences to present results, meetings and plenary meetings Regular meetings with individual shareholders Quarterly newsletters to shareholders 	Investor relations
Suppliers	<ul style="list-style-type: none"> Purchaser/supplier meetings Supplier's day Supplier qualification process Awareness raising on Global Compact challenges 	Purchases
Employees	<ul style="list-style-type: none"> Quarterly employee satisfaction surveys Labour-management relations with personnel representation bodies 	Human resources
ESG analysts and investors ⁽¹⁾	<ul style="list-style-type: none"> Response to ratings questionnaires Individual meetings Response to questions 	Sustainable development
Research centres and businesses	<ul style="list-style-type: none"> Collaborative approach, creation and participation in competitiveness cluster initiatives, R&D programs, university chairs and professional associations 	R&D and Activities
Communities, NGOs	<ul style="list-style-type: none"> Community programs Partnerships with local NGOs 	BipBop Foundation and Program
Civil society	<ul style="list-style-type: none"> Participation in working groups and local and international organisations on challenges within our industry 	According to subject and audience
All	<ul style="list-style-type: none"> Quarterly Planet & Society Barometer newsletter 	Sustainable development



(1) Environment, Social and Governance



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

Planet & Society Barometer

Stakes	Progress plans and targets at year-end 2011		2011	2010	2008
Overall Performance in the Barometer (grade out of 10)		↗	9.38	7.62	3.00
Planet					
Carbon	1. 30,000 tons annual reduction of our CO ₂ equivalent emissions	↗	-161,933	-110,156	-
Eco-design	2. 2/3 of our products' revenues achieved with Green Premium products	↗	▲ 63.7%	26.1%	0
Certification	3. 2/3 of our employees work on ISO 14001 certified sites	↗	▲ 70.4%	69%	58.8%
Profit					
Green growth	4. 7 points above the Group's organic growth gained by our energy efficiency activities	↗	▲ 14.2	8.3	NS
Eco-services	5. 10 countries set up a recovery process for SF ₆ gas	↗	8	3	0
Access to energy	6. 1,000,000 households at the Base of the Pyramid have access to energy thanks to Schneider Electric solutions	↗	1,291,768	891,058	0
Suppliers	7. 60% of our purchases from suppliers who support the Global Compact	↗	▲ 50.4%	42%	30%
Ratings	8. 4 major ethical stock indexes select Schneider Electric	↗	▲ 3	2	3
People					
Safety	9. 10% annual decrease in the frequency rate of occupational accidents	↗	▲ -54%	-44%	-
Engagement	10. 14 points increase in the company's employee recommendation score	↗	▲ +32	+16	-
Training	11. 2,000 employees trained on energy management solutions	↗	▲ 1,621	239	-
Access to energy	12. 10,000 young people at the Base of the Pyramid trained in the energy management	↗	12,318	4,742	0
Local development	13. 500 entrepreneurs at the Base of the Pyramid set up their activities in the field of energy management	↗	391	209	0

NS = Indicator not monitored

▲ 2011 Audited Indicators

The 2008 performance serves as a starting value for the Planet & Society Barometer of the One company program between 2009 and 2011.

↗ ↘ The arrow indicates if the indicator has increased, remained idle, or decreased in 2011 compared to 2010. The colour indicates if the indicator is above or below the goal.

Priority objectives in response to sustainable development challenges

Schneider Electric has used the Planet & Society Barometer as its sustainable development dashboard since 2005. The Barometer outlines the Group's sustainable development objectives for a three-year period and shows progress made in achieving targets for the 2009-2011 period on a quarterly basis.

There are no recognised standards that define an organisation's sustainable development performance. The Planet & Society Barometer is Schneider Electric's response to this matter. There are also three-year progress plans for the Group's key sustainable development challenges.

The aim of the Planet & Society Barometer is to:

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

The Planet & Society Barometer is part of the One company program and is administered and promoted by the Sustainable Development Department. It comprises 13 key performance indicators scored out of 10. The average of the scores provides the global performance of the barometer. Departments directly concerned 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.

With the introduction of the new One company program in 2009, Schneider Electric defined new ambitions for its sustainable development approach, following up on its ten targets for 2005-2008 with 13 environmental, economic and social improvement plans.

The table above shows Schneider Electric's sustainable development performance in 2011. When the barometer was launched on January 1, 2009 the global score was 3.00/10. At the end of 2011, the Company had exceeded its target of 8/10 and had attained 9.38.

For the first time since the barometer was created in 2005, all the indicators achieved their target of 8/10. Seven indicators had even achieved 10/10 (CO₂ emissions, ISO 14001 certification, energy efficiency, access to energy, accident rate, company recommendation, energy management training).

Communicating the results of the Planet & Society Barometer

Since 2009, the Planet & Society Barometer has been published through the following channels:

- the website www.barometre.schneider-electric.com, expanded in 2011 to include an interactive tool;
- the quarterly Planet & Society Barometer newsletter informs the main Schneider Electric stakeholders about the previous quarter's performance and achievements; the newsletter sent by e-mailed to a list updated continuously;
- on the Group's Intranet, the performance of the Planet & Society Barometer, which reflects value creation for stakeholders, is listed next to the Schneider Electric share price, which reflects value creation for shareholders;

In 2012, quarterly conference calls have been set with concerned investors to present the results of the Planet & Society Barometer.

For more information: www.schneider-electric.com/barometer.

Sustainable development criteria in performance incentives

Sustainable development components were added to the personal performance incentives of all members of the Executive Committee in 2011. These components are directly linked to the Planet & Society Barometer targets. They are personalised according to the areas of involvement for each (e.g. *Green Premium*: production of Environmental Product Profiles for the members of the Executive Committee in charge of the activities).

Since 2010, the CO₂ reduction target has been taken into account for the performance incentives of all Global Supply Chain Management personnel who receive a bonus.

The reduction in the occupational accidents Severity Rate and in the Medical Incident Rate is taken into account for the performance incentives of all managers at industrial sites and logistics centres who receive a bonus.

In December 2011, the annual long term incentive plan for 2012 was put in place granting 2,637 people performance shares on the condition that they belong to the Group on the day at the end of the acquisition period and that performance targets are met. For the first time definitive attribution of a part of the shares is conditional on meeting a sustainable development target which is defined as the Planet & Society Barometer score at the end of 2013. We remind that barometer is published externally and its components are audited.



1.3 External and internal bases of preparation for a solid framework

Our external bases of preparation

The United Nations Global Compact

The Global Compact was launched in 1999 by UN Secretary-General Kofi Annan. It brings companies and non-governmental organisations 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, labour, the environment and anti-corruption.

In signing the Global Compact in December 2002, Schneider Electric made a public commitment to these universal values. The Group has primarily worked to share this commitment with its partners since 2003 (see page 56 "Relations with sub-contractors and suppliers").

In line with the Global Compact requirements, Schneider Electric publishes an annual progress report. This publication reports on the Group's action plans and monitoring indicators for the 10 principles of the Global Compact. Last year, Schneider Electric worked on meeting the Advanced level criteria of the Global Compact. The reference table is available on the Global Compact website (COP 2011). With this report, the Group meets the Advanced level again this year.

ISO 26000

In 2010, the ISO (International Organisation for Standardisation) published guidelines on organisations' societal responsibility (ISO standard 26000). ISO 26000 is a compromise that gets different players from the public, private and non-profit sectors, from around 100 countries, involved, and a vision of how an organisation should view societal responsibility. Schneider Electric's actions towards sustainable development are completely in line with ISO 26000. This standard legitimises the sustainable development actions undertaken by the Group since the early 2000s and provides an educational support and framework for its actions in the field.

The 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 performance; initially intended for companies and subsequently for any governmental or non-governmental organisation.

Brought about by the Coalition for Environmentally Responsible Economies (CERES) in association with the United Nations Environmental Program, the GRI integrates the active participation of companies, NGOs, accounting bodies, business associations, and other stakeholders from across the globe.

By aligning itself with the GRI in 2010 and obtaining a score of B, Schneider Electric reinforced its extra-financial reporting. A reference table with these indicators and the indicators proposed by the GRI is provided on the website: Company > Sustainability > Sustainable governance.

Our internal basis of preparation: the Responsibility & Ethics Dynamics (R&ED) program and Our Principles of Responsibility

The challenges

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

The aim of the program

In 2002, Schneider Electric published a set of guidelines entitled Our Principles of Responsibility to give all team members a common reference point. The document outlines the Group's commitments to each of its stakeholder groups: the Company's employees, its

economic partners (mainly clients and suppliers), shareholders, the community and the planet.

- In 2009, the Group updated Our Principles of Responsibility to set out standards on ethics. This document incorporates updated Group and employee commitments on the following:
- the respect of law, the limits established by each employee to ensure he or she entirely respects the laws of all the countries in which Schneider Electric works;
- the deontology that all employees must follow in line with the laws in force in countries where Schneider Electric works;
- Group societal responsibility, which all employees must respect to act responsibly towards society and the planet.

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

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

For more information: see Our Principles of Responsibility page 57.

1.4 Global policies

Reference documents are distributed throughout the Group so that all team members can embrace Schneider Electric's responsibility approach and apply it in line with local culture and legislation.

Ethics

The Our Principles of Responsibility document is not only Schneider Electric's ethics charter; it also constitutes a code of conduct. All of the Group's policies stem from it (environment, quality, purchases and the different social policies). The document is available in 30 languages and is distributed to all employees.

Environment

The first version of Schneider Electric's environmental policy was published in 1992, changed in 2004 and confirmed in October 2007. It aims to improve industrial processes, reinforce product ecodesign and incorporate Group customers' concerns for environmental protection, while providing product and service solutions. It applies to the Group and is accompanied by global action plans.

Social

The Group's Human Resources policies cover the following: diversity, hiring, recruiting, international mobility, training, human capital development, talent identification, total remuneration, social benefits and health and safety. These apply to the Group and are accompanied by global processes.

1.5 An organisation structured through networks

Overall operation

The Sustainable Development Department

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

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

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

- ethics, steering the Responsibility & Ethics Dynamics program (see page 57);
- societal responsibility, with the Schneider Electric Foundation as well as insertion and expansion programs (see pages 85 to 89);
- access to energy, responsible for the BipBop program (see pages 81 to 85);
- supporting and developing the Group's performance, in particular by steering the Planet & Society Barometer and the strategy and sustainable development report (see pages 46 to 47).

Supervisory Board

Following James Ross, Cathy Kopp has been responsible for officially presenting the sustainable development issues to the Supervisory Board since 2010. She also plays the part of internal advisor for sustainable development: Cathy Kopp analysed the Group's sustainable development policies and programs in 2011, interviewing various managers. A restitution to the Supervisory Board is expected in 2012.

SERE organisation – Safety, Environment & Real Estate

(see page 61).

Human Resources organisation

(see page 70).

Energy Efficiency and Solutions Experts (for the offer)

Within the Strategy and Innovation Department, the Energy Efficiency and Solutions team rolls out and supports the Company's and its employees' transition from a product-based approach to a solution-based approach.

To achieve this, Schneider Electric works with a network of 15,000 employees, comprised of certified solution sales and marketing teams and supported by technical experts and over 60 Solution Centres aligned to supporting customers in local geographies and key global end user segments, where our solution architects are developing the solutions its customers want today and designing the solutions of tomorrow

Cross-functional committees

There are three bodies made up of members from the Group's entities who work on sustainable development directly or remotely. These specific committees guide and monitor the action plans for their area of expertise.

The Executive Sustainability Committee

Since 2010, the three members of the Executive Committee in charge of global Human Resources, Global Supply Chain Management and Strategy and Innovation, meet every quarter with the Sustainable Development Director to monitor and steer the Group's action plans in this area.

The Strategic Sustainability Committee

It was created in 2008 and is chaired by the Sustainable Development Director. Its representatives are from the following programs and functions: health and safety, diversity, societal innovation, environmental management, sustainable RoHS and REACH programs, purchasing, supply chain, ethics, access to energy program, communication and relations with stakeholders.

The Ethics Committees

(See page 58).



1.6 Global and local external commitments to move forward collectively

List of the Group's primary sustainable development commitments

Schneider Electric works with different local and international organisations on economic, social and environmental issues to foster sustainable development in cooperation with various actors from society. In 2011, Schneider Electric confirmed its commitment and its participation in discussions on issues related to climate change.

Theme	Commitment
Sustainable governance	International: World Business Council for Sustainable Development (WBCSD), United Nations Global Compact. France: member of the Board of Directors of ORSE (French study centre for corporate social responsibility) and of the French Global Compact network.
Energy/Energy efficiency	International: Alliance to Save Energy (Energy efficiency), Clinton Climate Initiative (Buildings), Green Grid (Information Technology), The 2°C Challenge Communiqué (Corporate Leaders Network for Climate Action, CLN). France: EpE (Entreprises pour l'Environnement), IFPEB (<i>Institut Français pour la Performance Énergétique du Bâtiment</i>), <i>Pacte Écologique de Nicolas Hulot</i> , <i>Grenelle de l'Environnement</i> .
Diversity	France: see page 76.
Social policy	Observatoire Social International
Standardisation	With more than 20 experts actively participating in international standardisation bodies, Schneider Electric is making a decisive contribution to the elaboration of standards that ensure the reliability and transparency of the work on environmental issues of its offers (UTE, <i>Union technique de l'électricité et de la communication</i> ; CENELEC, European Committee for Electrotechnical Standardisation; IEC, International Electrotechnical Commission; ISO, International Organisation for Standardisation). Schneider Electric plays an active role within AFNOR (French Standards Organisation). It participates in the working group on sustainable development. Since February 2007, Schneider Electric has represented France on the IEC's Advisory Committee for Environmental Aspects (ACEA). The ACEA works to advise and coordinate the IEC's efforts to tackle environmental issues.
Miscellaneous	For many years, the Group has also actively supported Association pour le développement du mécénat industriel et commercial (ADMICAL), a French not-for-profit organisation involved in corporate sponsorship issues, and IMS-Entreprendre pour la cité, an association that helps companies implement their corporate social responsibility policies. Lastly, the Group participates in work conducted by CSR Europe, notably in the area of occupational health.

Highlights of 2011

Livelihoods: Carbon offset fund for rural communities

Livelihoods is an investment fund to provide investment partners with carbon credits that have a high societal value, seeking the best balance between the value of these credits and the value created in local communities. In Senegal, for example, 450 villages are already replanting 7,000 hectares of mangroves, thereby rebuilding their food-producing ecosystem (fish breeding and crop protection). This project allows 900,000 tonnes of carbon to be stored in 20 years. With a provision of EUR 30 to 50 million, Livelihoods will invest mainly in 3 program types: restoration and preservation of natural ecosystems, agroforestry and soil restoration for sustainable agricultural practises and rural energy access projects that avoid deforestation. Schneider Electric, CDC Climat and Le Crédit Agricole are the main investors joining Danone to create this fund.

Business solutions for energy access: White paper for the WBCSD

At the end of 2011 Jean-Pascal Tricoire, with the Chairmen of ERM and GDF SUEZ, co-signed a white paper for the WBCSD (World Business Council for Sustainable Development) on the business solutions to enable energy access for all. This white paper is the first significant publication from the WBCSD and coincides with the launch of the International Year of Sustainable Energy for all in January 2012 by the United Nations.

Participation in the 17th Conference of the Parties (COP17)

During the COP17, at the end of 2011 in Durban, South Africa, Schneider Electric took part in many conferences, notably on access to energy, energy efficiency of buildings and on Smart Cities, in collaboration with the United Nations' Environmental Program and the WBCSD.

1.7 Ratings and awards

The evaluations by the leading specialist ratings agencies and by a number of ethical fund managers indicate the Company's performance in its sector. The evaluations and awards underline external recognition of the Group's sustainable development programs.

Ethical stock market indices

A key performance indicator was set in the Planet & Society Barometer for the duration of the 2009-2011 *One* program: to ensure Schneider Electric's presence in the four major SRI (Socially Responsible Investing) indices – the DJSI World, the DJSI Europe, the ASPI Eurozone and the FTSE4Good.

At year-end 2011, Schneider Electric was included in three of the leading ethical investment indices, compared with two in 2010. In fact, the Group was confirmed in the DJSI Europe index and the ASPI Eurozone index, rejoined the DJSI World index, and was excluded from the FTSE4Good index because part of its activity is within the military sector (1%, mainly in electrical distribution). This last index is therefore not a priority target for the 2012-2014 period.

Dow Jones Sustainability (DJSI) indices

Schneider Electric is part of the 2011 DJSI World and DJSI Europe Evaluation for this family of indices is provided by Sustainable Asset Management (SAM), an independent asset manager headquartered in Switzerland.

Carbon Disclosure Leadership Index (CDLI)

Schneider Electric was among the 52 companies of the CDLI in 2011; companies chosen for their understanding of climate change challenges in business.

Carbon Performance Leadership Index (CPLI)

Schneider Electric was selected in the CPLI in 2011 as one of 29 companies chosen for their commitment and action plans to fight climate change.

ASPI Eurozone Index

The ASPI Eurozone (Advanced Sustainable Performance Indices) listing tracks the financial performance of 120 leading euro zone sustainability performers from the DJ Euro Stoxx benchmark financial universe. Vigeo ratings are used to select the listed stocks, in keeping with ASPI Eurozone guidelines.

Ethibel Sustainability Indices

In 2011, Schneider Electric was included in the Ethibel Sustainability Index (ESI) Excellence Europe and Ethibel Sustainability Index (ESI) Excellence Global indices.

FTSE4Good Indices

The evaluation allowing inclusion into the FTSE4Good was carried out by the British agency EIRIS. Schneider Electric does not fulfil the inclusion criteria because part of its activity is within the military sector.

Awards 2011

Among the recognitions for sustainable development received in 2011, the Group highlights the following:

- **Gigaton Award:** the Carbon War Room awarded Schneider Electric the Gigaton Prize for its leadership in energy efficiency and the development of the smart grid to effectively fight global warming.
- **Global 100 most sustainable corporations:** Schneider Electric reached 26th place in the ranking by Corporate Knights Inc.
- **Ethisphere:** Schneider Electric was one of the 100 most ethical companies following ranking by Ethisphere.
- **Zayed Future Energy prize:** Schneider Electric received the Zayed Future Energy prize in the Large Businesses category in recognition of its contribution to renewable energies and sustainable development.
- **Green Cross for Safety:** the United States National Safety Council awarded the Green Cross for Safety medal to Schneider Electric North America.
- **Human Capital Trophy:** Michael Page International and Le Monde awarded Schneider Electric this trophy in the category of Management Internationalisation from among CAC 40 companies.
- **Best workplace in Brazil and China:** Schneider Electric was recognised in the 150 Best companies to work for in Brazil (by Voce S/A) and the 50 Best workplaces in China (by Staffers magazine and the China Business newspaper).
- **Annual General Meeting Award:** Schneider Electric was recognised by Capitalcom from among the CAC 40 companies on more than 80 criteria of readability, transparency and provision of relevant information announced at the Annual General Meeting.





> 2. Green and responsible growth driving economic performance

This chapter covers two subjects:

- **Products and solutions for fighting climate change:** energy efficiency, renewable energies, electric vehicles, smart grid, product end-of-life recovery services, etc.
- **Business ethics:** Group responsibility principles, fight against corruption, relations with suppliers and subcontractors.

Corporate governance is discussed in chapter 3 “Corporate Governance” page 107: working of the Supervisory Board, Management Board, Internal Control & Audit, shareholders’ rights, remuneration of members of the Supervisory Board, Management Board and Executive Committee.

2.1 Overview

Context and aims

Climate change is one of the main challenges of the 21st century. Schneider Electric works for sectors that account for the majority of global energy consumption. Energy consumption is not always optimised, which makes it one of the largest sources of CO₂ emissions.

As a global specialist in energy management, Schneider Electric’s products and solutions help reduce energy use and CO₂ emissions. The Group is therefore developing energy efficiency solutions to reduce energy bills by up to 30% for every type of building. The Group’s solutions also target other areas related to intelligent electricity networks (Smart Grids): generation and connection to the renewable energies grid; electric vehicles; and demand-response.

Moreover, the Group’s products and solutions are sold worldwide, either directly to end customers or through networks of partners, therefore without any control over their final destination and end-of-life processing. To limit the impact of its end-of-life products, Schneider Electric has established a system to recover equipment containing SF₆, a powerful greenhouse gas.

The Group works in more than 100 countries, with uniform practices, standards and values. Schneider Electric is also committed to act responsibly towards all of its stakeholders. Therefore, the Company has defined its Principles of Responsibility that apply to the whole Group and are based on dedicated organisation and processes. Schneider Electric has also been involved in the United Nations Global Compact since 2002, which it wishes to encourage a larger number of its suppliers to sign.

Four key performance indicators were set in Schneider Electric’s Planet & Society Barometer over the duration of the *One* program (2009-2011):

Objectives for Year-End-2011	2011	2010	2009	2008
1. Exceeding the Group’s growth by 7 points per year with our energy efficiency activities	14.2 ▲	8.3	5.3	NM
2. Implement a recovery process for SF ₆ gas in 10 countries	8	3	3	0
3. Make 60% of our purchases from suppliers who support the Global Compact	50.4% ▲	42%	33%	30%
4. Ensure that 4 major ethical stock indices select Schneider Electric	3 ▲	2	3	3

NM = Indicator not monitored

The 2008 performance serves as a starting value for the Planet & Society Barometer of the *One* program between 2009 and 2011.

▲ 2011 Audited Indicators

Please refer to pages 90 to 92 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 53-54 for indicator 1, 55-56 for indicator 2, 56-57 for indicator 3, 51 for indicator 4).

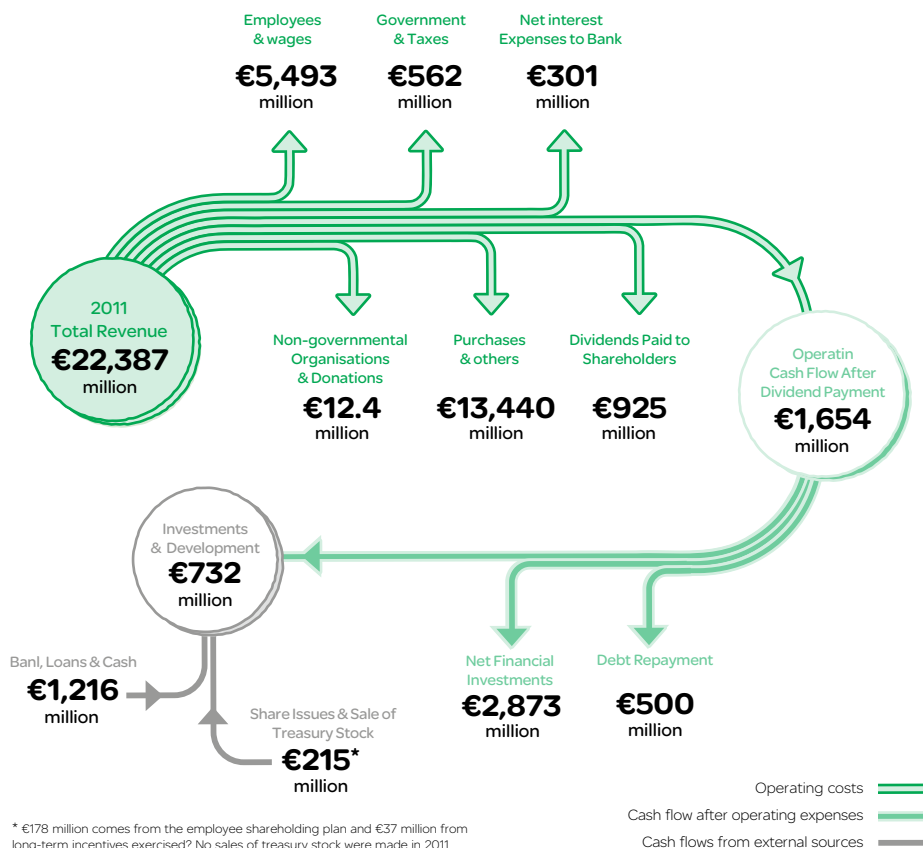
Highlights of 2011

- Indexation of the performance incentives for the Executive Committee members to one of more components of the Planet & Society Barometer, chosen according to their field.
- Above-target performance in energy efficiency activities, reflecting the Group's commitment to this area in its different markets.
- Reaching the target for the SF₆ gas recovery system as a result of restructuring the offer in place in various countries.

- Return of Schneider Electric to the DJSI World (Dow Jones Sustainability Index).

Revenue breakdown

Every year for the last 6 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.



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

Our planet is facing an unprecedented energy challenge. By 2035, energy needs could have increased by 30% to accompany global demographic, economic, industrial and urban development. At the same time, carbon gas emissions could increase by 20% - although experts agree that to prevent dramatic consequences due to climate change emissions should be halved.

Contributing to resolving this challenge lies at the heart of Schneider Electric's development strategy.

The expectations of the Group's customers are also moving in that direction. They want to reduce energy costs and reduce their environmental impact by constantly improving reliability, safety and performance of sites and equipment.

Schneider Electric presents an innovative and competitive portfolio of products, systems, services and software in order to assist customers further in optimising their energy management.



Energy efficiency

Context

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

Energy efficiency is the fastest, most economical and most effective way for governments, businesses and individuals to reduce CO₂ emissions. According to the International Energy Agency (World Energy Outlook 2011), energy efficiency represents nearly 50% of the reduction in CO₂ emissions required to save the planet.

Schneider Electric is one of the first companies to have taken a strong position in support of energy efficiency by developing efficient and competitive offers for all the large market segments.

Thus, the growth rate for energy efficiency activities in 2011 exceeded the Group's revenue growth by over 14 points.

Offers

Schneider Electric promotes "active" energy efficiency, which consists in optimising the entire energy cycle through several steps:

- initiate an energy audit that will result in a series of quick win actions to quickly make substantial savings, as well as an action plan;
- then, automating the systems to maintain these savings;
- and finally, monitoring, controlling and adjusting to make sustainable savings on energy.

To do this, the Group offers a range of products, systems, services and software:

- Products: dimmer switches, timers, heating and air-conditioning control, variable speed drives, etc;
- Systems: building management systems, lighting control, process supervision;
- Services: energy audits, optimisation of energy purchases, participation in demand reduction programs, etc;
- Software: data analysis, remote monitoring, integrated management of energy flows over several sites, etc.

These solutions respond to the standards and regulations in force in each country where they are marketed.

Schneider Electric is continually developing new offers to better respond to the needs of its customers, notably in the area of services and integrated management, as well as developing new distribution channels.

Schneider Electric's **energy services** activity is experiencing strong growth.

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

They then want to optimise these flows, done using the best purchasing policies, in order to participate in demand reduction programs, implement energy performance contracts, and obtain certifications (e.g. the new ISO 50001 international standard). These are energy management services.

Finally, this energy management allows customers to reduce the environmental impact of their activities and to improve their carbon

audit. This involves evaluation and carbon footprint management services, closely linked to energy management services.

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

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

Schneider Electric has developed an integrated offer called EcoStruxure, combining products, systems, services and software within a single energy management architecture.

Schneider Electric has competitive offers for energy efficiency, as well as for energy flow management of industrial processes, security systems, data centres, and of course buildings. EcoStruxure combines these various offers to provide the customer with a single vision – complete supervision of their sites or their company.

Finally, Schneider Electric is rolling out an **EcoXperts Network** in many countries to provide its smaller customers with simple and competitive solutions for energy efficiency and energy source integration. These are specialised external partnerships trained and supported by the Group to develop closer working relationships with their customers at a local level.

This network is already in place in the United States, France, Spain and Italy and currently is being developed in about ten countries, mainly in Europe and Latin America.

Renewable Energy

Context

Renewable energy is one of the key principles of Schneider Electric's development, societal responsibility and environmental goals.

According to the International Energy Agency's forecast (World Energy Outlook 2010), renewable energy sources, in particular solar, wind and hydraulic, should account for more than half of new energy capacity installed globally by 2035, making it strongest growing energy mix.

Renewable energies allow for growing energy needs to be met while limiting environmental impact. Ever more efficient integration in electrical transmission and distribution networks means that these renewable energies are also contributing to the advent of smart grids.

Offers

Schneider Electric offers a full range of products, systems and services for solar, wind and hydroelectric energy.

Group teams ensure that these are well-integrated into the electricity grid thanks to our expertise in electrical distribution (low and medium voltage), conversion and energy management.

Schneider Electric serves and connects power plants and large buildings to the electricity grid, provides equipment to turbine manufacturers and supplies the residential market through its network of partners and distributors.

> PARTNERSHIPS WITH START-UPS

Aster Capital, the joint Schneider Electric, Alstom and Rhodia risk-capital fund, endowed with EUR 100 million, focuses on identifying new opportunities for growth and innovation in the areas of energy and the environment. It detects emerging market and technology trends ahead of the curve and develops partnerships with promising start-up

Electric vehicle

Context

Fully electric or hybrid vehicles are likely to undergo rapid development over the next few years and could represent 10% of vehicles sold worldwide by 2020.

They are quieter and cause less pollution than petrol vehicles and are part of the solution to the energy challenge, as well as to urban policies that aim to reduce congestion and pollution in cities. Development of the electric vehicle mainly depends on the re-charging infrastructure, which must combine safety (for users, the vehicles, buildings, and the electricity grid), facility (availability of charging terminals at all times, in every location, and for all requirements), and the effective integration of the electricity grid (first mobile charge in history).

Schneider Electric contributes to electric vehicle development through recharging infrastructures.

Offers

Schneider Electric's offers include safe recharging infrastructures, efficient energy management systems and high added value accompanying services.

The recharging infrastructure must be completely safe, firstly for the user but also for the vehicle, building and electricity grid. Schneider Electric has developed a full range of solutions for residential or co-owned garages, public and private car parks or roadside parking and for rapid recharging during a journey.

However, for an electric vehicle to be "green", the electricity used for charging must also be green. Priority for charging must therefore be given to the periods in which energy sources with low CO₂ emissions are available. Peak periods must also be avoided as the electricity grid is already experiencing very high demand for all other uses. This is why Schneider Electric is developing energy management solutions adapted to grid cycles.

Finally, the variety of charging environments, whether public or private, single or collective, requires information and invoicing systems to be put in place for businesses and car service providers.

Smart grid - Intelligent networks

Context

The electricity grid faces several constraints. Demand for energy continues to increase, electric infrastructures are old or lacking sufficient capacity, installations need to be more environment-friendly, and renewable energy sources are increasing but remain intermittent and dispersed.

The grid must therefore be developed into an effective electric infrastructure combined with an intelligent IT infrastructure: the smart grid, ensuring continued balance between energy production and consumption.

Citizens and companies are increasingly energy efficient in terms of energy use; in terms of production, grid operators (transmission and distribution) are developing automation and control systems; and between the two, new mechanisms are being implemented: load shedding, optimal management of renewable energy sources, reduction of carbon peak, financial valuation of changes in use behaviour, etc.

Offers

Schneider Electric offers products and solutions in all the main fields relating to the smart grid:

- buildings, industrial sites, and residential buildings: energy efficiency products and solutions, complex solutions for integrated energy management, operational and financial project management, electric vehicle charging systems;
- production of renewable energy: installation and equipping of solar, wind or hydroelectric plants, automation and control systems, SCADA (Supervisory Control And Data Acquisition), engineering and maintenance;
- distribution: control and automation of sub-stations (between high and medium voltage and medium and low voltage networks), SCADA, protection and metering systems, outage devices;
- demand-response: consultancy and implementation of software platforms to share data and for load shedding aimed at energy operators.

Recovery service for equipment containing SF₆

In the framework of its Planet & Society Barometer, Schneider Electric looks to create SF₆ gas recovery processes, for end-of-life products in 10 countries, in Europe and in China. SF₆ is a gas used as an insulator in medium voltage devices. It has an elevated heat capacity and therefore requires special treatment to prevent it leaking into the atmosphere.

The first devices containing SF₆ gas sold by Schneider Electric reached their end-of-life at the start of 2000. The objective is to develop commercial offers that allow customers to dispose of their end-of-life, SF₆ containing devices, in order to completely extract the gas and recycle it.





At the end of 2011, 8 countries had implemented a recovery process with a local service manager, a recovery solution (Schneider Electric or partner), customer communication and effective recovery: Australia and France (since 2009), Sweden (since 2010), Germany, Austria, Belgium, Spain and the United Kingdom (since 2011). A considerable effort was made during the second half of 2011 to restructure the recovery offer already in place within the countries and to report the information and evidence to the Company executives.

In several other countries, specific recovery actions have been implemented: Hungary, Israel, Switzerland, Italy, Japan, Colombia, Costa Rica, Estonia, Ukraine, Ireland, South Africa, Turkey, Vietnam, Saudi Arabia, etc. However, these countries do not have a dedicated local system.

In Norway, a recovery process was implemented by the country. SF₆ recycling is a legal obligation and Schneider Electric's customers work with the organisations in charge of electrical and electronic waste recycling. This country is not included in the indicator.

2.3 Relations with subcontractors and suppliers

Approach

As a Global Compact signatory, Schneider Electric has been involved in an ambitious approach to include sustainable development challenges in the supplier selection and working processes. This approach is all the more important as Schneider Electric's purchases volume exceeds EUR 11 billion.

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

Since 2004, the Group has been supporting its suppliers so that they can publicly commit and directly adhere to the Global Compact. This initiative is part of the foundation of Schneider Electric's approach. A key performance indicator was defined in the Planet & Society Barometer regarding the duration of the 2009-2011 One program: at the end of 2011, more than 50% of Schneider Electric purchases were from suppliers who had signed the 10 Principles of the Global Compact or the EICC. This represents an increase of 8 points in 2011.

Action plans

Schneider Electric's approach to its suppliers in the area of sustainable development centres around three main action plans.

1. Integration of the sustainable purchases approach into 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.

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

- social responsibility linked to the Global Compact principles;
- environment: ISO 14001, ISO 14062 on eco-design, REACH and RoHS;
- safety: health, safety standards, accidents and severity rate.

Sustainable development criteria account for nearly 15% of supplier evaluation. In addition, all these criteria have a minimum level, below which a supplier will not be retained to work with Schneider Electric. Schneider Electric carried out more than 260 audits of this type in 2011.

This qualification process applies to all new suppliers and to existing suppliers in certain cases. It is strengthened by the General Purchasing Conditions to which all suppliers must conform: OECD directives on sustainable development, ten principles of the United Nations Global Compact and regulations defined in the ISO 14001 standard. Suppliers also commit to respect all national legislation and regulations, the REACH regulation and the RoHS directives, and, more generally, the laws and regulations relating to prohibition or restriction of use of certain products or substances.

2. Support for suppliers adhering to the Global Compact

A statement on the importance of joining the Global Compact is made by the Group purchasing pilot to each major supplier of Schneider Electric after the supplier has been trained in the approach. The purchasing pilot also helps the supplier by supporting them in this approach and giving them the benefit of Schneider Electric's experience.

The sustainable development goals have become one of the 7 pillars used to measure supplier performance since 2011; this has the particular advantage of allowing the highest-performing suppliers to become a 'Preferred' Group supplier. Adhesion to the Global Compact is a key point in this evaluation.

3. 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.

Furthermore, Schneider Electric launched an update in 2011 to the carbon impact analysis of company purchases in terms of its carbon footprint. Schneider Electric has used this approach to raise awareness of the importance of this subject among purchasers and certain suppliers in the most relevant purchasing sectors.

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

Outlook for 2012-2014

Within the framework of its business program 2012-2014, Schneider Electric wants to go even further in its work with suppliers in the areas of sustainable development and social responsibility.

One line of action will be to motivate Group suppliers to roll out and monitor progress plans conforming to the ISO 26000 standard. The action will be supported by placing the sustainable development dimension at the heart of the activity and on an external evaluation process for suppliers' performance.

The Group will also now work on another plan to develop its capacity for innovation with its suppliers and especially in eco-design areas.

Examples

A global workshop organised in 2011 for "Preferred" suppliers emphasised the importance that Schneider Electric places on aspects linked to sustainable development. During this workshop, Schneider Electric wanted to reward the highest-performing suppliers, particularly in the Planet and Societal Responsibility category for which a trophy was awarded.

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

Schneider Electric is also committed to employing people with disabilities. The Company was presented an award by the French Paralysis Association in 2010 and went on to sponsor their 2011 award ceremony. Schneider Electric continues to place great emphasis on its commitment in this area through its purchasing and subcontracting with sheltered-employment workshops or Centres for Adaptation to Work (CAT).



2.4 Our Principles of Responsibility

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 globalised and its social responsibilities are growing.

Schneider Electric wants to reaffirm its desire to respect the laws and regulations in all the countries in which it works.

The challenge is to gain and maintain the highest confidence of its customers and – in a wider sense – of its stakeholders. To support each employee in this approach, the Group emphasises the importance of placing responsibility at the heart of its corporate governance.

The Group currently has around 140,000 employees worldwide. Following the Group's various acquisitions, it has been able to integrate this exceptional professional and cultural diversity to its advantage. Driven by Group values, the Responsibility & Ethics Dynamics program forms the basis of common references. Schneider Electric's mission therefore takes its meaning from engaging with individuals and organisations in order to help them get the most from their energy.

A common frame of reference: our Principles of Responsibility

Our Principles of Responsibility is a 15-page document that is as pragmatic and realistic as possible, a synthesis of the Group's common commitments to employees, partners, shareholders, the planet & society. Our Principles of Responsibility does not claim to cover all ethical dilemmas, but rather serves as a general guideline. They are adapted locally to meet local practices or legal requirements.

Our Principles of Responsibility were prepared in compliance with the 10 principles of the Global Compact, the corporate governance principles, the Universal Declaration of Human Rights and the International Labour Standards. As a result, these principles comply with international standards such as the anti-corruption principles.

Today, Our Principles of Responsibility document has been translated into 30 languages and sent to all Group employees.

A clause was added to all employment contracts, specifying that new arrivals had read Our Principles of Responsibility when they joined Schneider Electric.

Adapted processes

The Responsibility & Ethics Dynamics program provides each employee with a method for asking the right questions and seeking out the right people according to two approaches:

- a detailed questioning process to take the right steps in delicate situations. This may be broken down into three stages:
 1. consulting the program's Intranet site,
 2. contacting one's manager and/or a member of the concerned department (legal, financial, human resources (HR), environment, etc.),
 3. contacting the entity's Principles of Responsibility advisor.
- an alert process to guide employees step-by-step towards the right bodies:
 1. contact their N + 1... N + X managers,
 2. use existing in-house outlets (legal, financial, HR, environment, etc.),
 3. contact the Group Compliance Committee.

Three tools accessible to all employees

- an Intranet site accessible to all employees from the global Intranet home page, providing all information on the program and Our Principles of Responsibility, as well as news and progress in the field;
- frequently Asked Questions – FAQs. This tool which is continually powered was introduced following a collection of reports written by the managers after the program and Our Principles of Responsibility were presented to their teams;

- an online e-learning module. The aim is that, at the end of the session, the trainee is familiar with Our Principles of Responsibility and more comfortable using them in his or her job. At the end of 2011, more than 21,000 employees participated in the module: 94% rated the module as good or excellent.

A professional alert system

To allow each employee to exercise their right to report a problem, a professional alert system is currently being deployed.

In compliance with local legislations, this market solution is provided by an independent company and proposes alert categories, a questionnaire, and information exchange protocol between the person issuing the alert and the person responsible for investigating it. The main players in this process are the Compliance Officers (see "Dedicated teams and organisation").

The system is currently in place on the American continent and implementation is planned for the whole Group, accompanied by an internal communication plan that identifies the persons responsible for investigating alerts received.

Dedicated teams and organisation

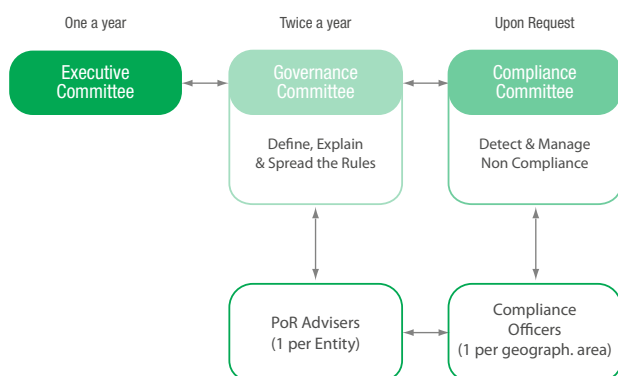
The program requires implementation of an organisation including the following:

- a Governance Committee and a network of Principles of Responsibility Advisors.
They are responsible for the implementation and roll out the Responsibility & Ethics Dynamics program.
- a Compliance Committee and a network of Compliance Officers.

They are responsible for detecting and managing cases of non-compliance with the processes defined, in line with local laws and regulations and Our Principles of Responsibility.

Stakeholders and committees exercise their authority within activities of influence and control.

In particular, the Governance Committee must ensure coherence with the Group's strategic plans. It provides Executive Committee members with information on trends that, for example, implement the company change program.



Measuring rollout and effectiveness

The Responsibility & Ethics Dynamics program is primarily the subject of regular internal communication. The objective is to inform all the employees and remind the management teams of the priority actions that they must drive forward, dependent on the risks to which they are exposed in their countries of operation.

Two particular actions were undertaken in 2011:

- one for the Country Presidents during the year to reemphasize the importance of their role as sponsor for their countries, the expectations at the end of 2011 and to respond to their questions;
- and another addressed to the 500 main Group managers to inform them of the developments brought by the program and to raise their awareness once more on the importance of communication within their teams.

In addition and since the program was launched in 2010, it has been the subject of an assessment conducted by Internal Audit.

Our Principles of Responsibility were rolled out in all the Group's entities in 2010. The results of the Internal Audit, including the findings of a survey of 10,000 employees and an audit that includes Argentina, China, the United Arab Emirates, the United States, France, India, Indonesia, Italy, and Russia were:

- 73% of employees questioned said they were familiar with Our Principles of Responsibility;
- 84% of survey participants stated that the information given was useful and comprehensive.

In 2011, the assessment of the Responsibility & Ethics Dynamics program as a whole, with a particular focus on the 19 most exposed countries in which the Group works, according to the corruption perception index of Transparency International.

The audit shows the level of knowledge of Our Principles of Responsibility stands at 75% (83% if a recently acquired entity is excluded). Beyond the figures, the audit makes two very important points clear to us:

- on the one hand, regarding the means of communication judged the most effective;
- and on the other, on the level of perception of Our Principles of Responsibility by position within the company.

For 2012, these lessons are driving us to integrate communication into the Schneider Electric University programs and to use supplementary action for the job posts where the result is weakest.

Award for excellence 2011

The Group is also proud of having been included once again in The Ethisphere Institute's World's Most Ethical Companies indicator.

Schneider Electric is among 100 international companies recognised for their ethical commitment and behaviour. The performance measures looks at the existence and consistency of governance, the reputation and influence of the company, the quality of actions promoting citizenship and social responsibility, and the culture and actions promoting ethics. This recognition is reassuring for the Group as it implements the Responsibility & Ethics Dynamics program.

Outlook for 2012

Program rollout will continue in 2012 along various axes:

- implementation of the recommendations given during the internal audit in late 2011, primarily continuing communication actions and training for employees in countries most susceptible to breaches of ethics;
- continuation of implementing simple measures to enable employees to understand ethical dilemmas in an operational context and to help them place themselves above the risk level to which they may be exposed;
- working with the Principles of Responsibility Advisors to forge closer ties between the principles and the operational procedures and directives that should be readily available to all Group employees.



2.5 Fight against corruption

Approach and action plans

Schneider Electric must complete surveys, controlled by rating agencies and investors on sustainable development practices, which often include questions on very specific subjects such as our anti-corruption policies. The Group makes an effort to respond to all questions with full transparency.

The Governance Committee, presided over by the Executive Vice President for Strategy & Innovation, applies a seven-point progress plan based on the Responsibility & Ethics Dynamics program:

1. identify high level employees to monitor the rollout of the Responsibility & Ethics Dynamics program;
2. define best practices to prevent illegal actions, strengthen management's major role and promote use of the professional alert system;
3. ensure that all policies comply with Our Principles of Responsibility;
4. inform employees of standards and procedures;
5. implement monitoring, audit, and reporting systems;
6. establish a discipline for the practical implementation of standards and procedures;
7. in the event of a breach of the ethics principles, take the corrective measures necessary, including the consolidation of procedures.

Examples

In full coordination with the Responsibility & Ethics Dynamics program, the awareness-raising actions, linking the Sustainable Development, Legal, Security and Internal Audit functions have been led by the line managers in 2011.

Various other anti-corruption initiatives have been implemented, at the national or regional level:

- in France, Schneider Electric is involved in defining ethical standards as part of the Business Ethics Commission of the GIMELEC, a grouping of electrical equipment manufacturers;
- in Russia, Schneider Electric signed an ethics charter with the Association of European Businesses;
- Schneider Electric Egypt obtained specific anti-corruption certification for its work with the National Electricity Corporation in Sudan.

> 3. Schneider Electric's Commitment to Environmental Performance

This chapter deals with the environmental impact of the Group's industrial activities. The products and solutions offered by Schneider Electric which help reduce the environmental impacts of our customers' activities are described in part 2, (page 52).

3.1 Overview

Context and aims

Schneider Electric does not produce or distribute energy. It conceives and builds electrical products and proposes integral solutions for a number of market segments. The great majority of these products are installation components for energy management. They consume little energy compared with the devices they control, and the losses through dissipation are negligible compared with the energy in transit. Production activities, for their part, mainly call on assembly and control techniques and only minimally integrate procedures with a significant environmental impact, such as the transformation and treatment of metals.

With a company presence in more than 100 countries resulting from a continual rhythm of acquisitions, Schneider Electric applies a common environmental policy to all its entities and rolls out the same programs for certification, reporting and performance objective throughout all its geographical locations.

Schneider Electric commits to protecting the environment and health through the following objectives contained in the *One* company program:

- to roll out ISO 14001 certification and the Group's environmental reporting to 100% of the industrial sites and logistics centres

(more than 50 people) within two years after their creation or acquisition, and to the large tertiary sites (more than 300 people);

- to roll out energy efficiency monitoring solutions to 100 sites covering 75% of the Group's total consumption (Energy Efficiency Monitoring program);
- to reduce energy consumption of sites by 4% per year, to limit SF₆ emissions to 1% of consumption (1.2% target revised to 1%) and to reduce the air freight portion to 20% of long distance freight;
- to monitor water consumption for all ISO 14001 sites and control deviations (+/- 10%);
- to monitor VOC emissions (Volatile Organic Compounds) for all ISO 14001 sites holding emissions permits or emitting more than one tonne per year;
- to achieve 2/3 of product revenue with products that have a life cycle analysis and chemical substance usage that is controlled and limited (Green Premium).

Three performance indicators were set in the **Planet and Society Barometer** for the duration of the *One* program (2009-2011):

Objectives for Year-End-2011	2011	2010	2009	2008
1. 30,000 tonnes annual reduction of CO ₂ emissions	- 161,933	- 110,156	- 44,089	-
2. 2/3 of products revenues gained with Green Premium products	63.7% ▲	26.1%	2.6%	0
3. 2/3 of employees work in ISO 14001 certified sites	70.4% ▲	69.0%	63.7%	58.8%

NM = indicator not monitored.

The 2008 performance serves as a starting value for the Planet & Society Barometer of the *One* program between 2009 and 2011.

▲ 2011 Audited Indicators

Please refer to pages 90 to 92 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 61-64 for indicator 1, 64-67 for indicator 2 and 67 for indicator 3).

Organisation

At the corporate level, the Sustainable Development Department establishes the Group's environmental strategy and leads the corporate environmental actors, jointly with the Global Supply Chain Management. The Director of Sustainable Development is ranked below the Executive Vice President of Strategy and Innovation (member of the Group's Executive Committee).

The Environment Director, ranked below the Senior Vice President of the Global Supply Chain Management (member of the Group's Executive Committee), defines and rolls out the environmental policies and programs; he reports the results and leads the environmental manager network comprising:

- for product management: environmental managers in each business who are responsible for integrating environmental concerns in line-up management, environmental representatives who are responsible for assessing the impact on marketing, and environmental specialists with expertise in integrating environmental aspects into product design;
- for site management: environmental managers in each major region, environmental managers in each large region with significant business volume, and environmental managers in each plant or supply chain centre.

In 2010, the organisation within Global Supply Chain Management changed from a corporate only leadership to a regional organisation (North America, Asia-Pacific, Europe-Middle East, Africa and South America). Three SERE (Safety, Environment, Real Estate) directors were appointed: each one is responsible for implementing the Group's policies in these fields for all sites within their geographical area and for reporting on progress plans. There is a meeting of the

three directors every quarter to ensure coherence in the Security, Environment and Real-Estate policies for the entire Group. To implement this policy, the SERE directors lead a network of more than 200 managers responsible for the environmental management of industrial, logistic, and administrative sites.

These networks have access to a wide range of management and experience sharing resources including directives, application guides, an intranet site, and databases.

The Transport Director, within Global Supply Chain Management, is in charge of measuring and reducing freight CO₂ emissions at Group level.



Highlights of 2011

- indexation of the performance incentives for the Executive Committee members to one of more components of the Planet & Society Barometer, chosen according to their field: particularly Green Premium for Global Supply Chain Management and Activities, CO₂ reductions, ISO 14001 and Energy Efficiency Monitoring for the Global Supply Chain Management;
- a very steep rise in the Green Premium indicator, particularly as a result of the Environment Director rejoining the Executive Committee Management in charge of Global Supply Chain as well as because of the indexation of a portion of the performance incentives of the Activity directors of progress plans linked to Green Premium;
- sustained reduction in CO₂ emissions due to the efforts to reduce the SF₆ leakage rate in industrial processes (0.94% leakage at the end of 2011).

3.2 Reduction of CO₂ Emissions

Approach

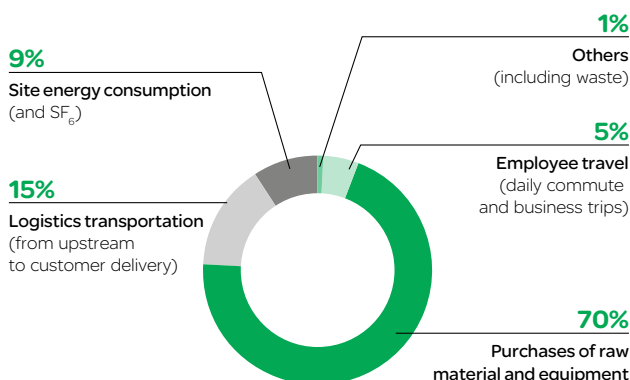
Schneider Electric is not subject to European quotas on carbon emissions since it is an industrial business that globally produces few emissions in comparison to energy intensive industries. Schneider Electric is therefore classified in the low emissions sector by the Carbon Disclosure Project⁽¹⁾. However, the Group has defined measures to reduce its carbon emissions.

With the support of the Carbon 4 consultancy firm, Schneider Electric in 2011 updated the carbon footprint performed in 2007 (from 2006 data), from its upstream suppliers to its downstream distribution chain. The main sources of emissions remain the same: purchase of raw materials (steel, plastic, metal) and equipments represents around 70% of the total. The logistics involving upstream and downstream supply from and to suppliers and first tier customers represents 15%, of which the main part comes from road freight. Schneider Electric is aiming to reduce these emissions by 10% over the next three years. Direct emissions (scope 1 and 2) in Group buildings represent around 9%. More modest sources, employees' travels and waste represent 5% and 1% respectively.

This emissions split is representative of a second transformation activity.

Compared to emissions evaluated in 2006, carbon intensity of the Group fell and certain sources were the subject of specific work in which the results are very visible: SF₆ emissions for example were significantly reduced.

Finally, the structure of emissions has changed: freight emissions as a percentage have decreased following a correction of the method used for 2006 figures.



(1) Source: Carbon Disclosure Project 2008, Survey of the SBF120 French companies.



In the Planet & Society Barometer, Schneider Electric has set the following objectives for 2009-2011:

- to reduce the CO₂ equivalent emissions by 30,000 tonnes per year over the total of scope 1 and 2 for the GHG Protocol ⁽¹⁾ (SF₆ gas emissions in the industrial sites concerned, and energy consumption of industrial and supply chain sites and of some tertiary sites) as well as for a part of scope 3 for the GHG Protocol ⁽¹⁾ (air freight in the long distance freight transport mix ⁽²⁾). The objective is to reduce CO₂ emissions by approximately 15% over three years on a constant basis compared to 2008. These reductions are "avoided" emissions due to optimisation efforts, see calculation methodology on page 90;
- implement a recovery process for SF₆ gas in 10 countries. The first devices containing SF₆ gas sold by Schneider Electric reached their end-of-life at the start of 2000. The objective is to develop commercial offers that allow customers to dispose of their end-of-life, SF₆ containing devices, in order to completely extract the gas and recycle it (see pages 55-56).

During the period of the *One* program (2009 -2011), Schneider Electric saved nearly 162,000 tonnes of CO₂ equivalent. The Group exceeded the reduction target of 30,000 tonnes per year (i.e. 90,000 tonnes over the three-year period of the program).

The following actions were undertaken to achieve the target:

- the carbon footprint of scopes 1 and 2, as defined in the GHG Protocol, is calculated monthly, as is the performance of each site concerned;
- since 2010, the carbon performance has been presented monthly to the Management Committee of the Global Supply Chain Management by the Group's Environmental Director and the three SERE Directors (SERE – Safety, Environment, Real Estate);
- since 2010, the CO₂ reduction target has been taken into account for the performance incentives of all Global Supply Chain Management personnel who receive a bonus;
- in 2011, the reduction of the carbon footprint and the rollout of Energy Efficiency Monitoring (see page 63) were included in the performance incentives of the Executive Committee member in charge of Global Supply Chain.

In 2011, Schneider Electric worked on defining its new carbon emission reduction targets for the 2012-2014 period within the scope of the next Company Program. The Group's approach is based on measuring, controlling and reducing CO₂ emissions, starting with the most direct ones upon which the Group has most impact and greater reliability in terms of metering (these correspond to scopes 1 and 2 defined in the GHG Protocol) followed by more indirect emissions (corresponding to scope 3 of the GHG Protocol). Thus, Schneider Electric maintained the target cap of 0.95% of SF₆ leakage for the 2012-2014 period and included the new targets in the Planet & Society Barometer:

- 10% savings in energy consumption;
- 10% CO₂ savings in transport.

Action plans

Actions to reduce SF₆ emissions

The performance of the Planet & Society Barometer in CO₂ savings is mainly due to the reduction of SF₆ leaks in the production processes, resulting from:

- mandatory monthly reporting since 2010 rather than twice yearly in 2009;
- a Failure Modes, Effects and Criticality Analysis (FMECA) deployed for manufacturing processes that involve SF₆ gas since 2010;
- improvements in processes and measurement on certain high emission sites, particularly the SCFME Libourne site (France), the largest European site, and the SBLMV Peking site (China), the Asian site with the highest SF₆ consumption.

Note that the emissions reductions for SF₆, and therefore of CO₂ equivalent, are normalised, i.e. they are calculated at a production level equivalent to the period from one year to the next.

To obtain the target for the Planet and Society Barometer, industrial leakage of SF₆ gas had to be reduced from a rate of 4% at the end of 2008 to a rate of 1.2% by the end of 2011 for gas consumed during production.

The target for 2011 went even further, aiming for 1%. This target was exceeded with an effective leakage rate of 0.94%.

Energy Savings

In general, Schneider Electric sites are low consumers of energy, compared with more energy intensive industries. However, Schneider Electric wishes to set an example in the reduction of energy consumption by applying its own solutions.

Energy Action program

Approach

Energy Action is a program for the continual reduction in energy consumption in all of the Group's sites. The objectives are:

- cutting out waste of electricity, natural gas and oil, and thereby reducing costs;
- deploying Schneider Electric's energy efficiency solutions at its own sites;
- raising employees' awareness about new energy efficiency solutions and their own contribution to product development.

Around 9% of total Group emissions come from energy consumption at its sites (according to the carbon footprint of 2012). Energy efficiency in the sites, with an objective of a 4% decrease in 2010 compared to 2009 and a 4% decrease in 2011 compared to 2010, helps fulfil the objective for the reduction of CO₂ emissions for the Planet & Society Barometer.

Since 2005, Schneider Electric has fixed annual objectives for reduction and publishes (internally) the energy consumption of each of its production and logistics sites each year, as part of the Energy

(1) The Greenhouse Gas Protocol (GHG Protocol) is the most widely-used international accounting tool for CO₂-equivalent emissions. Scope 1 corresponds to greenhouse gas emissions from sources held or controlled by the company. Scope 2 corresponds to emissions for the generation of electricity consumed by the company. Scope 3 corresponds to all other indirect emissions of the company from sources that it does not hold or control (transport, use of products and services, etc.).

(2) Long-distance freight includes air freight and maritime freight.

Action program. The Group met and in some cases exceeded its objective of reducing energy consumption per production site employee by 10% between 2005 and 2008.

The Planet & Society Barometer for the *One* program (2009-2011) extended the monitoring of consumption to tertiary sites with more than 300 employees, including these into the objectives for ISO 14001 certification of sites. The Group's head office in France was therefore certified according to the ISO 14001 environmental management standard, the EN 16001 energy management standard in 2010 and the new ISO 50001 certification in 2011. The sites' energy consumption is monitored on a monthly basis by the Management Board of Global Supply Chain Management since 2010. Global Supply Chain Management is responsible for all of the Group's sites.

Action plans

The Energy Action program uses Schneider Electric energy service activities to identify opportunities in key areas as HVAC, certain equipment (such as air compressors), lighting and specific industrial processes.

Many initiatives and awareness campaigns are implemented internally to improve understanding of the short and long term benefits of energy efficiency. There is also a dedicated Intranet site that provides information on progress and the results obtained as part of Energy Action. Events and symposiums have been organised in France, the UK, Korea, Turkey, South Africa, Singapore, and the US for Group customers and, more widely, partners.

The program resulted in the following achievements in 2011:

- 155 sites conducted formal internal audits of their energy consumption over the last 3 years;
- around EUR 3 million were invested in energy efficiency projects, generally with a return on investment of less than three years;
- 100,000 lights were replaced, 500 speed drives were used, 1,900 meters were placed in 160 sites, hundreds of sensors, regulators, and building management systems were installed.

The business program 2012-2014 with its target of achieving an extra 10% energy efficiency over three years compared to 2011, includes the following targets:

- installation of remote control tools for energy consumption and of the Summit dashboardDView by Summit Energy for all sites above 5,000m²;
- implementation of ISO 50001 standard for energy management in 20 sites;
- identification of opportunities to reduce energy consumption over all sites as a result of the Energy Action audits.

Examples

Equipping buildings:

- the Hyderabad site in India has implemented an extended range of Schneider Electric energy management solutions, installing movement and light sensors, variable speed drives in the hydropneumatic system, and a building management system to control the plant temperature. All these efforts have led to a saving of 39% on the total energy consumption of the site,

resulting in an award of first prize in the General Category of the National Energy Conservation Awards in 2011 (from the Indian Office of Energy Efficiency);

- in Germany, 12,500 m² solar panels were installed in 2011 on the roof of the Ratisbonne factory, representing the largest installation of this type in the Ratisbonne region.

In Carros (France), energy efficiency was considered during the architectural design of the new building:

- the architect was able to commit to an annual energy consumption limited to 40 kW/m²;
- the photovoltaic panels were installed on the roof to cover almost all the energy needs and a green roof was placed over the connection area;
- the twin skin metal cladding was placed on the west face of the building to reduce thermal flows and avoid their absorption by the building;
- the coloured metal plates were incorporated within the walls of the building to allow natural cooling at certain times of the night;
- water is pumped and used by the natural cooling system.

Processes: the LifeSpace Department succeeded in increasing from 20 to 30% the reduction in its energy consumption by installing several variable speed drives in its injection casting machines and a cooling tower on 5 production sites in the Asia-Pacific zone (China, Malaysia, Vietnam, India and UAE). The Malaysian site (CMK) alone made total savings of EUR 17,000 between April and August 2011.

Energy Action in North America: the Smyrna site (Tennessee), which manufactures medium voltage switchgears and is the technical design centre for electrical distribution equipment, installed a 1 MW solar photovoltaic energy generating system. This dual voltage photovoltaic installation, among the first in the world, will be used as a source of green energy and as a test laboratory for Schneider Electric technologies. The electricity produced by the system powers more than half the site by using sunlight as the only energy source.

The Energy Efficiency Monitoring (EEM) program

Energy Efficiency Monitoring is a centralised energy performance monitoring program (excluding changes in temperature and production). The objective is to provide the various levels of management with a single scorecard that displays the energy performance of all sites in the scope of environmental reporting to:

- accurately manage energy costs;
- compare site performance to identify inefficiency;
- help fulfil the Group's environmental objectives.

At the end of 2010, close to 60 of the most energy intensive factories in North America and Europe deployed EEM to accurately measure their energy consumption.

Schneider Electric continued to roll out the EEM program during 2011 in its most energy intensive sites to ensure accurate measurement of the actual reduction in energy consumption, eliminating the effects of changes in climate and activity level from one year to the next.





The objective for 2011 was to roll out EEM in 100 factories covering at least 75% of the Group's total energy consumption. At the end of 2011, the target had been exceeded as 160 sites had energy consumption remote control tools, representing around 90% of total consumptions.

The Green IT program

Green IT is a program to reduce the energy consumption of Schneider Electric's IT infrastructure (data centres, servers, and IT devices). It also aims to use IT technologies to reduce business travel using telepresence/HD videoconferencing systems.

The main objectives are:

- optimise the number of data centres and their energy efficiency using Schneider Electric products and solutions;
- train all IT employees on best efficiency and carbon practices;
- ensure that more than 80% of the equipment bought is Energy Star qualified.

The following measures were implemented in 2011:

- consolidation of three of the main data centres operating the Group's SAP platform on a single site with optimised energy efficiency (PUE < 1.2), thus saving 240 MWh;
- roll out of a Green IT electronic training module to all IT personnel;
- continuation of a global server virtualization plan, resulting in an average cut of 40% in electrical consumption.

Actions to reduce emissions linked to freight

Long distance freight

In 2011, the mobilisation of major players in the supply chain and logistics allow efforts to reduce air freight to be continued in favour of sea transport for long distance freight. The CO₂ savings made by these actions are included in the carbon indicator of the Planet & Society Barometer 2009-2011. In 2011, air freight tonnage represented 17% of joint air and sea tonnage, as against 20% in 2010.

Working on the structure of international flows – by making use of the growing importance of European and Singaporean hubs – has meant that the number of network point-to-point flows has been halved. This has resulted in a mass use of flows on maritime routes that link Europe to Asia and a reduction in greenhouse gas emissions.

Short distance freight

Continual streamlining of the supply chain has allowed important flows in Europe from France to Russia to be transferred from a road route to a short sea route that is more reliable in terms of delays, less expensive and more environmentally friendly.

Schneider Electric has taken an active role in the Smartway Europe initiative concerning road transport, which produces the most significant portion of the Group's emissions. Around thirty supply chain and some shipping multinationals are involved in this initiative that aims to promote a European framework to address the issue of CO₂ transport emissions. Schneider Electric is particularly involved in the thought process surrounding the development of a tool for reporting carbon dioxide emissions on a simple shared basis. The Company is also a stakeholder in the extension of Smartway Europe launched in Asia under the name "Green Freight Asia". Smartway Europe and Green Freight Asia also allow for promoting good practise in terms of sustainable development in transport and for advocating the implementation of supranational rules regarding standardisation of emission measurement methods.

Emission reduction target

A new carbon audit was launched in 2011 at Group level that aimed to recover – on 70% of our transport costs at a global level – the greenhouse gas emissions generated by transport. This summary is based on the information provided by approximately 60 of the largest transport providers of the Group. The exercise has resulted in specific collaborative meetings with the transporters to understand better their calculation hypotheses and to start to plan the actions required to reduce their carbon footprint.

More generally, a working framework was defined to detail the attributes of Preferred Suppliers with whom Schneider Electric wants to develop the volume of activity. In order to become a Preferred Supplier, the transporter must be able to measure and provide information their carbon footprint.

In 2011, training dedicated to greenhouse gas emissions in transport was implemented in order to emphasise the importance of this subject in the Group's strategy, to explain to the teams how to measure and consolidate the quarterly CO₂ emissions level to the network at a global level and finally, how to indicate the ways of reducing CO₂ emissions that are available to the supply chain teams.

A result of this work, 2011 ended with the decision to include a freight-linked CO₂ emissions reduction target of 10% within the new Company Program for the period 2012-2014.

3.3 Eco-Design

Approach

If there is no general legal obligation on eco-design, the pressure on the use of natural resources, climate change and respect for biodiversity must encourage the public and private actors to mobilise around these questions.

It is unusual for customers to explicitly specify environmental criteria for a product but having a "green supplier" is becoming a prerequisite.

Global customers, particularly in the green construction or transport sectors or the authorities, need support to implement their environmental policies, especially to:

- calculate and reduce their carbon footprint;

- anticipate and ensure conformity with statutory provisions, especially with regard to chemical products;
- facilitate eco-design of their products and services by supplying all the appropriate information;
- reduce end of working-life installation costs for the customer by optimisation of recycling.

In order to be the first to supply its customers with all the environmental information that they need, Schneider Electric developed Green Premium - a unique eco-brand based on clearly defined criteria - including ad hoc environmental information on its products.

A solution falls under the Green Premium branding if it satisfies the four following criteria:

- complies with the RoHS European directive, i.e. it does not include one of the six substances stated in this directive;
- contains information relating to the presence of Substances of Very High Concern (SVHC) within the scope of the REACH European regulation;
- has a Product Environmental Profile (PEP) providing a list of materials, a recycling rate and a calculation of eleven environmental impacts such as raw material and energy consumption, carbon footprint and damage to the ozone layer. This environmental profile is established over the whole product life cycle, from manufacture to end of working life;
- contains a guide identifying and locating the subsets or components required for a particular recycling process, called the End-of-Life Instruction guide (EoLI).

With an end-of-year target for 2011 of two thirds of global product sales made up of Green Premium offers (based on 2008 sales), Schneider Electric is clearly positioning itself as a sector leader and occupies a unique role based on:

- its "green" solutions;
- its evaluation of environmental impacts, especially in terms of substances contained and of end-of-life;
- its transparency through information available on its web portal;
- the reliability of its information with systematic reference to international standards available.

Green Premium is an integral part of the creation and development process for Schneider Electric's offers as a critical deliverable for marketing product offers.

All the information is made available to Schneider Electric customers on the Group's web portal. The conformity information for RoHS and SVHC is available on the Check a Product website dedicated to environmental information. The Product Environmental Profile information and End-of-Life Instruction are available on the Products and Services website.

Action plans

Substance Management

Schneider Electric is subject to European environmental regulation, with particular emphasis on the use of toxic substances.

The REACH regulation requires traceability of dangerous substances and the RoHS directive requires elimination of six substances (lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBBs) and polybrominated diphenyl ethers (PBDE).

Schneider Electric has implemented the RoHS and REACH programs by applying these European regulations.

The RoHS program, started in 2006, aims to eliminate the six substances from all products. By deciding to eliminate these substances from all its products, whether or not affected by the directive or sold on the European market or worldwide, Schneider Electric has gone far beyond the directive's requirements.

Efforts to bring products into compliance continued in 2011, particularly for the new entities to have recently joined Schneider Electric. However, for certain offers that have little to do with the scope of the RoHS directive, such as the medium voltage equipment of AREVA Distribution activities, the RoHS compliance decision has been deferred.

A new RoHS directive 2011/65/EU came into force on July, 21, 2011. The earlier directive, RoHS 2002/95/EC, will be repealed on January 3, 2003, the date by which Member States must have transposed this directive into national regulations.

This new directive has two important developments: the extension of the scope to all electrical and electronic equipment until 2019 and the CE mark, but no new substance is added to the existing list of six substances stated in the first directive.

As a result of the implemented RoHS program, Schneider Electric is a very good position to ensure conformity with this new directive because most of the work regarding product conformity has already been undertaken.

Directives similar to the RoHS European directive are now in force or being discussed in several countries. Schneider Electric's decision to generalise the application of the RoHS to all its products has helped anticipate developments in regulations all over the world and Schneider Electric is able to offer products which comply with the RoHS directives on all its markets (China, South Korea, Japan, etc.).

The REACH program, started in 2008, aims to:

- ensure that substances used by Schneider Electric and its subsidiaries are registered and authorised for the applications in question, in accordance with REACH requirements;
- formalise the information to be provided to customers about the presence and level of hazardous substances in Schneider Electric products;
- anticipate the substitutes that will certainly be needed for certain chemical substances, avoiding any impact on Schneider Electric product performance.

In 2011, the REACH program was mainly strengthened in the following areas:

- consideration of the updates to the substance list published by the European Chemicals Agency (ECHA);
- the replacement project for SVHC phthalate substances in cables;
- preparation of notification for the European Chemicals Agency (ECHA) about SVHC substances used in our products;





- the launch of the project aims to integrate substance management within our information systems in order to anticipate the impact of obsolescence on our offers and to automate the REACH reports for our products, as well as to circulate information more quickly to our customers.

Environmental information

The Green Premium eco-brand guarantees customers the availability of environmental information relating to Schneider Electric product offers such as the Product Environmental Profile (PEP) or the End-of-Life Instruction (EoLI).

As an integral part of the eco-design approach, the PEP program provides customers with the environmental impact of products during their life cycle according to the ISO14040 standard. This program applies to all offers developed by Schneider Electric.

The analysis of each product's environmental characteristics looks at:

- the materials used;
- the presence of hazardous substances as defined by the RoHS directive;
- the environmental certification statute of the production site;
- the product's recycling potential;
- 11 environmental impacts of the product, such as the consumption of raw materials and energy, the carbon footprint, the damage to the ozone layer, the production of photochemical ozone, the acidification of the air, the production of dangerous waste, the eutrophication of the water, and the toxicity of the air.

The majority of the Product Environmental Profile (PEP) documents in 2011 were established or made to conform to the requirements of the PEPecopassport program, with reference to the ISO 14025 standard. Schneider Electric has actively participated in the launch of this independent program that brings together the professional unions of manufacturers in the electrical, electronic and environmental engineering sectors. The PEPecopassport program is a measure of rigour, reliability and transparency.

Schneider Electric also integrates product recycling into the design of its products in order to promote recovery of end-of-life materials. Schneider Electric has developed a design rules guide in order to optimise end-of-life costs and the potential recycling rate of its products.

These practices led to the publication of a product recycling rate and to recommendations to ensure end-of-life treatment that is environmentally friendly. This information is available to clients in the Product Environmental Profile (PEP) documents.

These practices are equally applicable to the publication of information and recommendations to facilitate recycling of subsets or components stated in the WEEE (Waste Electrical and Electronic Equipment) European directive. In effect, even though the vast majority of Schneider Electric product offers do not fall under this directive, Schneider Electric makes the End-Of-Life Instructions information sheets available to its customers. This allows customers to identify and locate the subsets or components so that they are able to recycle them using suitable processes that are environmentally friendly.

Compliance with WEEE and equivalent legislation

A number of political commitments and regulations address the issue of waste from electrical products. One example is the European Waste Electrical and Electronic Equipment directive (WEEE), which has been transposed in each Member State. Similar regulations have been adopted or initiated in Japan, China, India, and the United States.

The WEEE directive's main objective is to increase the recovery rate for the largest types of electrical waste, such as televisions, refrigerators and lighting systems, as well as for short-lived IT and telecommunication equipment. Industrial electrical and electronic devices and electrical distribution equipment is only very marginally concerned. Under the directive, the equipment manufacturer is responsible for setting up and financing dedicated solutions to collect and process discarded equipment. The directive sets minimum rates for recovery and recycling.

Schneider Electric is actively involved in a responsible approach even though virtually none of its products are covered by the directive.

As a responsible company, Schneider Electric must be able to prove the existence of established end-of-life solutions. These must be financed and certified for collecting, processing, and recycling end-of-life products in a way that respects both human health and the environment.

Carried out in close cooperation with all Group partners, the approach is deployed at the national level in each host country. This involves identifying, certifying, and in some cases organising solutions for processing waste from electrical equipment, with the application of the appropriate indicators.

Green Premium Eco-brand

More than 400 Product Environmental Profile (PEP) documents and more than 200 End-Of-Life Instructions (EoLI) were generated in 2011.

Linked to more than 75% of revenue taken for the RoHS compliant offers and with the REACH information available, Schneider Electric's target was to consolidate this in 2011 with almost 64% of global product sales made through Green Premium offers, based on 2008 sales.

The Check a Product website was checked worldwide on average 3,500 times per month and more than 6,000 reference products were checked monthly for their RoHS and REACH environmental status.

The Schneider Electric Environment Marketing campaign will be rolled out during 2012, promoting the Green Premium eco-brand through the Schneider Electric electronic catalogue and through a unique web portal "Check a Product Green Premium" for RoHS, REACH, PEP, EoLI, and Battery Directive environmental information. The reference year for the Green Premium indicator calculation will be updated.

Green Plastic Program

This technologically innovative program aims to make plastic parts healthier and more environmentally friendly throughout the product life-cycle. In effect, plastic is present in almost all Schneider Electric products and the amount of CO₂ equivalents needed to produce the plastic is estimated at 550,000 tonnes per year.

The Green Plastic program is carried out in collaboration with the activities, the teams in charge of material purchasing and design and is included in the Group actions for sustainable development.

The program follows a unique strategy for each type of plastic focusing around three successive progress plans. A "green" plastic must therefore:

1. be exempt from potentially toxic substances and have an end-of-life evaluation scenario (material or energy);
2. come from a production sector that has low CO₂ use (recycled plastic or plastic from renewable sources);
3. come from a resource that does not compete with the food sector either directly or indirectly, in the case that the Green Plastic solution makes good use of a raw material from a renewable source.

The added value that customers expect from "green" plastics lies in two major areas:

- residential applications exempt from substances of very high concern, particularly including non-PVC and non-halogen flame retardant product ranges;
- new energy efficient offers, such as Efficient Home, which use plastics with a very low CO₂ impact.

Schneider Electric uses a partnership approach in order to make progress in research in this area. The Group therefore participates in collaborative platforms such as the Paristech Mines Bioplastics Chair or the Axelera competitive clusters initiative (in sustainable chemistry) and Plastipolis (in plastics engineering).



3.4 Eco-Production

Approach

Schneider Electric has extended its environmental system rollout program beyond only the industrial sites to tertiary sites throughout the 2009-2011 period. All these sites contribute to reporting, and therefore to the Group targets. Priority objectives for 2009-2011 to increase the number of employees working in ISO 14001 certified sites and to reduce its energy consumption were set within the framework of the Planet & Society Barometer for the entire Group. The certification objective helps focus continuous efforts to reduce the main environmental impacts of the sites, shown in the table on pages 98-99:

- energy consumption;
- CO₂ emissions;
- amount of waste produced;
- percentage of waste recovered;
- consumption of water;
- VOC emissions (Volatile Organic Compounds).

Action plans

ISO 14001 certification of Group sites

As soon as the ISO 14001 environmental management standard was published in 1996, Schneider Electric decided to certify its sites. For several years the Group has demanded that all industrial and logistic sites with more than 50 people be ISO 14001 certified within two years of their acquisition or creation.

The extension of this internal directive to all tertiary sites with more than 300 people was enacted in the *One* program from 2009 and actually launched in 2010. The headquarters of the Group in France, in Rueil-Malmaison, was thus certified in 2010.

The Group's priority objective, as set out in the Planet & Society Barometer, is to enable two thirds of employees to work in ISO 14001 certified sites. When the *One* program came to an end in December 2011, the target had been exceeded with more than 70% of employees working on ISO 14001 sites.

The challenge for the coming years is to maintain this performance level by certifying all the new industrial sites within two years of their acquisition or creation and to continue the new certifications of large tertiary sites.

NB: This has already been achieved, ahead of the two year deadline, for 26 industrial sites from the Areva D acquisition.

Management of industrial consumption

Water consumption

The Group provides a detailed breakdown of water consumption that takes into account groundwater and water from the public network. Water used solely for cooling and then immediately released without any change is also included in the statistics.

Schneider Electric reports on the quantities of water consumed by its sites on a six-monthly basis and monitors the per capita consumption of water on a like-for-like basis in order to evaluate its performance from one year to the next.

During the period of the *One* company program, the overall eco-production approach allowed the Group to reduce its per capita consumption of water by 6.8% by the end of 2011 in relation to 2010 on a like-for-like basis.

Water is not generally a critical resource in Schneider Electric's industrial processes.

Water is essentially used for sanitary purposes, sometimes for cooling and in certain sites for surface treatment. In the latter case, industrial water discharge is subject to treatment that is suitable in terms of its pollutant potential and discharge into the natural environment or in a plant subject to a monitoring plan.

As Schneider Electric industrial production is mainly based on manual assembly processes or automatic processes for electrical components and subsets, it has low water consumption and a negligible impact on water quality.

Nevertheless, in 2011 the group initiated an analysis of industrial site positions relative to water stress in different regions throughout the world using the WBCSD tool (World Business Council for Sustainable Development).



In the future, sites with the highest water consumption and the most exposed sites will be the focus of particular attention and of specific action plans, after the implementation of pilot sites in the major world regions (America, Europe & Africa, Asia & Pacific).

Energy consumption

See the Group's energy consumption action plans pages 62-64.

Raw material consumption

Schneider Electric focuses on making its devices more compact to conserve natural resources so that customers have more environmentally friendly products to choose from. The Group has developed design tools for managing thermal and electrical constraints so that it can optimise the amount of materials required in production. Each device's Product Environmental Profile (PEP) lists the materials used. To facilitate end-of-life processing, Schneider Electric chooses materials that are easy to recycle and clip-together components that are easy to disassemble. Life cycle analyses and recyclability assessments also help the Group identify areas for improvement.

For more information on the Schneider Electric global action plan relating to PEP and to end-of-life instructions, see the Green Premium chapter on page 64. Also see the Green Plastic program on page 64.

Schneider Electric's desire to reduce its environmental impact has driven its focus towards the use of recycled raw materials. For example, 85% of cardboard used in Europe and 100% in Asia comes from recycled material. North America is less advanced with about 50%. With regard to metals that Schneider Electric purchases on global markets, these include recycled material from recovered waste. The UNEP (United Nations Environment Program) report was published in 2011 addressing the situation with regard to metal recycling rate. On a global level, 18 metals have a recycling rate of over 50%, among which are lead, gold, silver, aluminium, tin, nickel, zinc, copper and iron and 34 elements have a recovery rate below 1%, including rare earth elements. The UNEP recommends that priority be given to product design in order to facilitate disassembly and recovery of metals at end of life and to emphasise recycling electrical and electronic equipment (WEEE). Schneider Electric participates in the recycling systems via the recovery of its own waste, with a target of 85%, and the End-of-Life Instructions for its products.

Management of waste, emissions and industrial pollution

Waste

Because waste is a major source of pollution but also a potential source of raw materials, waste management is a priority in environmental protection.

Most of the Group's waste is solid waste. Continuous improvement plans have been deployed to manage this waste. This approach fits in fully with the ISO 14001 approach that all Schneider Electric production and logistics sites worldwide are required to follow.

The target of the *One* program 2009-2011 was to recover 85% of hazardous and non-hazardous waste.

Because classification systems vary widely from country to country, the Group does not consolidate global data by category (hazardous and non-hazardous). Data is processed to ensure local traceability. In France, for example, hazardous industrial waste accounts for around 14% of total waste. All waste is channelled to the appropriate treatment facility.

Schneider Electric notes the quantities of waste produced and recycled on a six monthly basis and monitors this production per capita, on a like-for-like basis in order to evaluate its performance from one year to the next.

The overall eco-production approach helped reduce our production of waste by 7.1% per capita in 2011 compared with 2010 on a comparable basis and to increase the proportion of waste recycled from 82% at the end of 2010 to 84% at the end of 2011 on a comparable basis.

Conditions of use and contamination of soils

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

No substances are purposely released into the soil in the course of site operation. Workshop flooring at risk is given a waterproof seal using a suitable treatment (resin retention). Hazardous substances are systematically stored and handled in areas equipped with retention tanks in compliance with regulations. As a result of developments in legislation, retention systems are being designed more and more to compensate in the event of malfunctions or emergencies, such as fires.

In 2011 Schneider Electric conducted its annual review of pollution risks at all manufacturing sites as part of ISO 14001 tracking. No major incidents were reported in 2011.

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, in keeping with their ISO 14001 certification. Their releases are tracked locally as required by current legislation. No major spills or discharges were reported in 2011.

Emissions of NOx and SOx and particles into the air are monitored site by site according to their heating activity; monitoring of these emissions is verified via ISO 14001 audits. Emissions are then monitored by the site managers with respect to the thresholds defined in local legislation and monitored by the heads of the geographical areas (see SERE organisation page 61). These emissions are not subject to consolidation at Group level.

The COV emissions have been identified as representative of Group levels and are therefore included in Group reporting.

Finally, the CFC and HCFC emissions are monitored through our air conditioners in accordance with legislation. They are not linked to our industrial activities.

Noise and odours

All Schneider Electric sites comply with noise and odour limits.

Environmental risk management and prevention

The ISO 14001 environmental management system covers management of environmental risks. No Schneider Electric sites are Seveso classified. Aside from the voluntary prevention measures discussed above for sites with a soil contamination history, no significant amounts have been paid out in connection with a legal ruling.

In 2011, a particular effort was dedicated to an independent ground analysis of our oldest industrialised sites; the analysis was completed at the end of 2012.

All of the Group's industrial sites, which are ISO 14001 certified, have procedures in place to prevent emergencies and respond effectively if necessary. Preventive and corrective action plans are

based on an analysis of non-standard situations and their potential impact. This analysis draws in part on hazard reviews for classified installations.

In France, for example, certain sites that handle large amounts of chemical compounds, such as Le Vaudreuil, MGA and 38TEC, are equipped with balloon-type containment systems to avoid any pollution through the water systems. Others, located next to a river, have floating beams.

Drills are held regularly throughout the year to ensure that supporting procedures are ready and effective.

A national organisation has been set up to track sensitive sites. Their managers systematically receive training in environmental crisis management. Directives, procedures and national guidelines concerning environmental crisis management, historical and current operations management, pollution risk prevention and other topics are available on the intranet. Internal audits verify that these procedures are applied correctly.



> 4. Committed to and on behalf of employees

4.1 Overview

Context and aims

Schneider Electric's people are critical to its success. The Group motivates its employees and promotes involvement by making the most of diversity, supporting professional development, and ensuring safe, healthy working conditions.

Human Resources play a key role to support the development of Schneider Electric in the changing context of its activity. This growth is characterised by a sustained internationalisation, numerous acquisitions, the increase of headcounts dedicated to selling solutions and services, while maintaining a share of blue collars close to 45%.

Schneider Electric's HR policy is founded on a strong sense of commitment and shared services:

- all of the Group entities participate in the drawing up of HR policies and in their application. This guarantees coherence and facilitates consideration for local economic, legislative and cultural realities;

- all employees are treated equally on the basis of their skills, notably with regard to employment, recruitment, talent identification, mobility, training, remuneration, health and safety (common processes and policies);
- particular emphasis is placed on communicating the Group's broad strategic plans to the employees in order to enhance individual participation;
- training is also a priority so that employees have the opportunity to adapt to developments within the Company.

Schneider Electric encourages each employee to actively manage their own career in collaboration with their line manager, their HR manager and using the tools provided, particularly on the Group's intranet. This allows each employee to play a key role in their own performance and in their advancement.

Three key performance indicators were set in the **Planet and Society Barometer** for the duration of the *One* program (2009-2011):

Objectives for Year-End-2011	2011	2010	2009	2008
1. 10% annual decrease in the frequency rate of occupational accidents	- 54% ▲	- 44%	- 32%	-
2. 14 points increase in the Company's employee recommendation score	+ 32 ▲	+ 16	0	-
3. 2,000 employees trained on energy management solutions	1,621 ▲	239	40*	0

The 2008 performance serves as a starting value for the Planet & Society Barometer One program between 2009 and 2011.

▲ Audited 2011 indicators.

* In the 2009 Annual Report, the indicator measured the people having attended energy management solution courses (2,655 at the end of 2009). Since the beginning of 2010, only the people having completed the entire educational course officially recognised by a certification are accounted for by the indicator.

Please refer to pages 90 to 92 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 71-72 for indicator 1, 73 for indicator 2 and 74 for indicator 3).

Organisation

Since 2009, the Human Resources department has been structured around three 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. 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 organisation's strategic challenges in key areas, such as compensation, benefits, human capital development, training and performance management. Regional teams are leveraged to effectively shadow the Group's globalised operations;
- HR Operations handles the logistics and administrative responsibilities relating to payroll, sourcing, mobility and training programs, mainly through shared service centres designed to optimise efficiency and costs.

Highlights of 2011

- indexation of the performance incentives for Executive Committee members to sustainable development targets, chosen according to their field of work, particularly the implementation of social policies by Human Resources;
- continued reduction in the frequency of accidents at work, mainly due to more training and protection measures;

- a strong improvement in the recommendation rate for Schneider Electric as an employer, due to the continual dialogue between managers and their teams and to the action plan from the *One Voice* quarterly surveys;
- a sharp increase in number of employees trained in energy management solutions due to training duration (from 12 to 18 months) resulting in the pass rate of many certified employees at the end of the year.

4.2 Employee health and safety

Approach

Schneider Electric values the health and safety of all employees. The company-wide policy on health and safety states "All our employees and contractors must benefit from the highest possible standards of Health & Safety in our work activities" and sets the same standards in all its locations. Schneider Electric goals in this area include the following:

- promote good physical and mental health throughout the professional career of each employee;
- improve the quality of life in the workplace;
- anticipate events that could have an impact on the health and safety of the employees;
- and apply controls to minimize the potential for harm from hazards.

This policy takes into account the Health & Safety risks identified in the Group: slips and falls, material handling, machine hazards, electrical hazards, ergonomics, chemical hazards, driving (for trucks and automobiles), as well as psychosocial risks. Fire and explosions prevention is operated by the Emergency Plan and Business Continuity Plan of the Group, in which it has been included also a Health section in order to ensure the highest degree of responsiveness (for example during the H1N1 crisis).

One way that Schneider Electric ensures the best physical and mental health of its employees is through the prevention of illnesses that could hamper their efficiency, creativity and well being. Increasingly ergonomic work stations within its production system, for example, are an ongoing measure to prevent muscular and bone problems.

Action plans

Schneider Electric promotes health and safety to its employees through the implementation of a comprehensive set of actions. These actions include:

- the implementation of Schneider Production System guidelines ⁽¹⁾, continuously evaluated and improved.
- the implementation of occupational health and safety management systems and certifications (see below).
- the sharing and standardisation of best practices for hazard identification and risk assessment, management and employee involvement within the program, and program assessment.

New organisation

In 2010, Schneider Electric set up three regional organisations which report to the Global Supply Chain central function. Each regional organisation supports the Group's plans across of the BU's in three areas: Safety, Environment and Real Estate (SERE). One SERE leader is appointed for each region: North America, Asia-Pacific and EMEAS. In 2010, the Group focused on building the new organisation. In 2011, the scope has increased to include global standardisation of best practices.

Objectives

With this view to share best practices worldwide, the first action of the new SERE organisation has been to implement a new key performance indicator focused on measuring work-related incidents requiring medical treatment. This new KPI, the MIR (Medical Incident Rate) sets the foundation for deeper incident investigation into workplace hazards and the prevention of injury. It measures the number of medical cases per million of hours worked, in order to have a clear and comprehensive vision of the impact of the employees' work activity on their health, taking into account the events or exposures in the work environment which had consequences on the health, or significantly deteriorated a pre-existing condition. The MIR started to be tracked in North America before 2000 and worldwide in 2010 with the target to reduce it by 10% every year.

Schneider Electric also commits to reduce the Severity Rate of accidents (SR). The MIR and SR reductions are taken into account in all plant managers' performance incentives (combined goal of -10% annually, up to -20% for specific BUs).

As part of the Planet & Society Barometer, Schneider Electric set a goal for 2009-2011 to reduce the annual rate of lost-time accidents, calculated as the Frequency Rate (FR), in the workplace by 10% each year (consequently 27% over 3 years). In 2011, this KPI was part of the performance incentives of Executive Committee members in charge of the Businesses. As of the end of 2011, the FR fell by 18% as compared to the end of 2010 and by 54% as compared to the end of 2008 (see page 103).

This performance is due to efforts made to reduce workplace hazards, improve training, enforce the use of personal protective equipment, increase employee awareness on safety and, in particular, implement health and safety management systems

(1) The Schneider Production System (SPS) is the company's primary strategy for improving quality and productivity in manufacturing and in the extended value stream. SPS is based on 40 principles organised into three domains that assure quality and customer service. These three domains are People commitment, Product-process engineering, and Management of industrial and logistic processes. Within these 40 principles, is a strong commitment to adhere to ergonomic, safety and environmental rules and standards. The SPS process is managed through an extensive audit process used to assess conformance with best practices in many areas, including ergonomics, safety and environmental.

which imply safety assessments, prevention campaigns, specific trainings and e-learning on safety aspects.

Certifications

In 2009, Schneider Electric started to implement occupational health and safety management systems that meet or exceed the requirements of ILSO/OHSAS 18001 standards. The deployment of these management systems is over 83% complete.

In 2011, the Group started to run a global program to certify OHSAS 18001 (or equivalent) 100% of its manufacturing and logistics sites by end of 2012 (sites with more than 50 people and within two years of creation or acquisition). The deployment of this program is tracked at regional level through the SERE organisation and is 50% complete at end of 2011.

Training

Training and communication are key in Schneider Electric Health & Safety program. This includes a strong commitment to employee training on both the awareness level and on task specific training, ensuring that its employees and contractors have the knowledge base to work safely. Schneider Electric also communicates workplace hazards, practices to protect employees from hazards, best practices found in various locations globally, progress on health and safety goals and objectives, and management commitment to employee safety.

The process of standardising safety training on a global basis was initiated in 2011. The regional organisations began the development and implementation of global safety training program, with the first offering focused on general safety awareness and the expectations for improving occupational health and safety within the organisation. Several additional courses have been added in 2011 and the process will continue into 2012.

Additional actions for 2011 included: the development of the Annual Safety and Environmental Assessment (ASEA) shared across each region; the standardisation and improvement of global safety KPI reporting; and a strong focus on the communication of serious work-related injuries, along with action plans to prevent reoccurrence, to the Executive Management team.

Focus on stress management

Stress at work is managed by the Human Resources organisation within the Group. Effective measures are in place locally to address stress reduction in the workplace. In North America for example,

Human Resources promote stress reduction via incentives and communications on the healthy lifestyle program in place (exercise, proper diet, smoking cessation, stress management, preventative medicine, etc.) which is encouraged both on and off the job. In Asia Pacific, Human Resources promote stress reduction via health lecture, yoga class, sport club, stretching program and annual health welfare.

In France, a special program is in place regarding psychosocial risks induced by stress at work, with the identification and the address of risk factors. Schneider Electric has developed and deployed a management tool to prevent psychosocial risks. It includes a training module, a collection of indicator and a reading guide to identify factors contributing to psychosocial risks in a work organisation. So far, 22 sites have received training, six are under diagnoses, and 10 are implementing corrective action plans. A second management tool is deployed to maintain employment for people with occupational health problems and prevent the sources of work stress that may impact physical and mental health.

Examples

Schneider Electric has received several recognitions for its safety program in 2011, including:

- the Green Cross Award, presented by the National Safety Council to the North America region;
- 208 safety awards from the National Safety Council for several Schneider Electric sites in the North America and Asia-Pacific regions. They reward the practices of the Group in such fields as health management, weak occupational accidents frequency rate, prevention of risks related to trucks driving, etc.

Teams across the globe celebrated their safety successes by submitting entries for consideration to the 2011 Schneider Electric *One* Trophy Award campaign. The *One* Trophy Award is an internal award program designed to recognise team actions for activities that contribute to the *One* company program priorities. In 2011, there were 40 entries for safety related projects, with heavy emphasis in the EMEAS region. To recognise the good efforts of the employees who participated actively in these safety projects, the EMEAS region created a special Safety Award category in addition to the EMEAS regional Trophy Awards.

4.3 Employee engagement and talent attraction

Approach

Schneider Electric is working to become the “best company” to work for, as rated by its employees, and conducts a survey of employee satisfaction every quarter.

The Group also is looking to establish a strong name as an employer and is communicating around its Employer Value Proposition, which are closely aligned with the values of the Schneider Electric brand.

Action plans

Employee satisfaction

Set up in 2009, the *One Voice* internal satisfaction survey is carried out on a quarterly basis to take the organisation's pulse worldwide. The survey methodology used is similar to that used to measure the Group's customer satisfaction.

Specifically, all employees are asked to fill out a short questionnaire evaluating their engagement and their willingness to recommend Schneider Electric as a model employer. This process helps the Group identify key avenues for improving major employee engagement factors.

Analysed by country and by unit, the survey results help to steadily improve employees' commitment to processes and projects, whose proper execution is crucial to both successfully implementing the Group's strategy and satisfying its customers.

A key performance indicator for the Group, registered in the Planet & Society Barometer, was to increase by 14 points the Company's employee recommendation score between 2009 and 2011. At the end of 2011, the goal was exceeded with 32 points of increase.

In 2011, 146,049 cumulated employees answered to the *One Voice* survey by email and 35,959 employees in plants worldwide answered by paper or kiosk in 51 different languages (53% global participation). This reflects a very high level of engagement (87% indicated they were willing to give extra effort to help the Company meet its targets).

In 2011, the Group introduced further improvements to the reporting of *One Voice*. Since Q1 2011, managers with a minimum of 20 employees in their reporting organisation receive a *One Voice* result specifically for their team through a dedicated on-line results dashboard. Two questions of the survey focus on team communication regarding *One Voice* results and ensuing action plans. This encourages and helps drive detailed action planning at all levels of the organisation.

In 2012, new questions will be added to the survey that will give the Group a detailed Employee Engagement Index. This will allow Schneider Electric to benchmark its employee engagement level against other companies in its industry.

Employer Value Proposition

After launch in 2008 as part of the *One* program, the drive to deploy a strong employer brand was stepped up in 2009, 2010 and 2011.

Schneider Electric becomes a distinctive employer of choice. It is recognised as a highly attractive global company offering a friendly, flexible, creative and dynamic work environment, ensuring the development of its people and the sustainable development of the Planet and Society. Schneider Electric's Employer Value Proposition creates the emotional link with Schneider brand value which enables to attract diverse young potentials and professionals.

Universum rankings

Universum is a research company that helps global corporations understand their employer branding positioning in each country they are operating. Universum annually surveys over 300,000 students regarding their career preferences, career goals and image perception of their ideal employers. The study is conducted in 27 countries and involves more than 1,500 universities. In 2011, Schneider Electric participated for the first time in Universum ranking survey in business and engineering schools.

Universum Country Ranking at targeted schools has been a major achievement: France, China, Russia and Turkey are targeting to be positioned in Top 25; USA, Brazil, India, Germany, Mexico, Poland and Golf countries are targeting in Top 50 in engineering rankings by 2014. Universum Business rankings show a positive trend. In the meantime, Brazil has won the best employer of choice.

Partnerships with universities

Multiple partnerships have been set up with the world's largest universities, including Moscow Power Engineering University, Cairo University, INSEAD, HEC, ParisTech, Supelec, BMS College of Engineering (Bangalore), Shanghai JiaoTong University, Peking TsingHua University, University of Toronto, University of California Berkeley and Northwestern University Kellogg. In 2011, global target universities were identified by business units and HR leaders to better reflect the Group's geographical locations and the new skills that it needs to develop in the area of energy management. Partnerships with prestigious laboratories such as MIT were signed.

Go Green in the City

Launched in 2011 by Schneider Electric, Go Green in the City is an international case challenge for university business and engineering students around the world to find clever solutions for energy management. It is well-recognised as a global employer branding initiative to attract female graduates for internship or recruitment in 8 strategic countries: Brazil, Russia, India, China, France, USA, Germany, and Turkey; and in more than 80 targeted schools. The second edition was launched in January 2012 and is open to more than 90 selected universities in 9 countries (with Poland).

As in its first year, candidates are asked to present a case study on the subject of energy solutions in the city. In pairs, with at least one woman, students must propose viable solutions of energy management in five key areas of a city: residential areas, universities, trade, water and hospitals. The best proposals will reconcile increased demand for energy, social progress and environmental protection.



Schneider Electric Career Portal

As part of the project to centralise the Group's existing websites, Schneider Electric Career Portal has been created to more effectively attract all categories of potential candidates. Video employee testimonies have been associated. Particular emphasis is placed on the Group's specialisation in energy management.

Promoting a strong employer brand in this way has helped to position Schneider Electric as a globally recognised benchmark employer, capable of both attracting the best talent and mobilising all employees around a set of shared values that are aligned with the Group's strategic development.

4.4 Fostering talent and competence

One company program initiatives such as the evolution from products to solutions, growing internationalisation or employee engagement demand ongoing adaptation and skill enhancement. Training, therefore, is at the heart of Schneider Electric's Human Resources policy.

Approach

Schneider Electric global Talent Acceleration program is designed to increase the Group's talent pool and develop diversity, in accordance with the *One* company program.

In 2011, this program continued to focus primarily on new economies but also on enhancing managerial ability to identify and mentor employees that show exceptional potential.

To this end, performance management tools were deployed at all levels of the Group's organisation. These include individual skill reviews, annual performance appraisals, mid-year reviews to assess progress and adjust targets, and "people reviews". All of these resources help the Group continuously monitor and accurately evaluate individual as well as collective performance, and identify high potentials. The use of these tools has made for more objective and individualised decision-making in the area of career management, remuneration and recognition.

Action plans

3E Program

In 2009, Schneider Electric implemented the "3E" program to foster optimal skills development. It involves relevant work experience (Experience), managerial coaching and feedback structures (Exposure) and appropriate training investment (Education).

The Group's aim is to give all employees the opportunity to draw up a personalised skills and career development plan in collaboration with their managers with career and competencies reviews.

Schneider Electric University

Schneider Electric University offers courses that build knowledge and skills across the organisation in technical, solutions, supply chain, and leadership competencies. All of this training is offered through a blended learning of class room and e-learning facilities. All training modules are assessed by the participants on the quality of the content, the teachers, the format and related logistics.

In 2011, eight Group campuses worldwide are dedicated to employee training: the US (Chicago and Boston), France (Rueil-Malmaison and Grenoble), China (Beijing), India (Bangalore), Brazil (Sao Paulo), and the eighth campus was created in November 2011 in Russia (Moscow).

"One Champion" e-learning portal

The *One Champion* e-learning portal was launched in 2009 to ensure that all Schneider Electric employees have access to the same training programs.

In 2011, 68,275 employees have developed their knowledge thanks to the 52 customised modules available on this on-line learning platform, a 25% increase compared to 2010 (55,000).

The most selected modules are: Our Values, Energy Efficiency, Our Principles of Responsibility, E-mail efficiency and Safety awareness.

New modules such as Why Solutions, Discovering EcoStruxure, Energy Technical Institute, Global Supply Chain and Marketing Academy have been added during the year. A specific chapter, Welcome to Schneider Electric, is also available and dedicated to newcomers in the company. A Gender Diversity module is also available.

Energy & Solutions University

As part of the Planet & Society Barometer, Schneider Electric set a target for 2009-2011 to train 2,000 employees in energy management solutions. The HR organisation in charge of Learning & Development partnered with the Solutions & Energy Efficiency Department (within Strategy & Innovation) and the business leaders to develop the Energy & Solution University, in order to accelerate the development of strategic skills in solutions and services. Certifying career paths are offered to employees (account managers, sales representatives, solutions architects, projects and services teams, etc.). At end of 2011, 1,621 people in 55 countries have received certification and more than 8,500 people are enrolled in the certification path.

Leadership Development

"*One leadership*", a suite of programs addressing the learning needs of managers and regional talent, was deployed on a global level by the Leadership Academy. By the end of 2011, about 3,800 managers from all countries had participated in the different offers for manager and senior managers.

"LEAP", the entity and regional high potential program of *One Leadership*, has received great feedback from participants and

business leaders, in particular on the 3E approach (Experience, Exposure and Education) and on the real business problem solving. About 300 participants joined these regional cross-entity programs.

"Leadership Roundtable", an innovative learning approach of "leaders developing leaders", has been led by many countries with the involvement of leaders at every level of the Group (country, regional, corporate) and in all functions including our CEO, and other members of the Executive Committee. Using a book-sharing approach, these leaders have addressed a wide range of topics from Trust to Entrepreneurship, to an audience of sometimes as large as 500 managers, through a combination of face-to-face sessions and video links. Asia Pacific alone delivered a total of 48 such sessions with over 2,000 managers' participation.

Other functional skills development

In addition to Solutions & Leadership skills development, Schneider Electric has initiatives in key functional areas such as:

- **Global Supply Chain:** The Global Supply Chain Academy was set up to provide every supply chain professional the opportunity to learn and develop their functional knowledge, capability and competencies in the six domains of Customer Satisfaction & Quality, Manufacturing, Purchasing, Logistics, Safety, Environment, and Industrialisation. In 2011, more than 2,500 people have been trained on 60 learning modules of the Global Supply Chain Academy.
- **Research & Development:** The Offer Creation Academy addresses the competency needs of the Offer Creation Process (OCP) to ensure the right competency levels of R&D employees globally. Our range of learning offers cover the entire OCP lifecycle, addressing skills such as project management, design & testing, R&D processes, software tools, etc. The Group is also increasingly focusing on building learning offers around software development competencies. More than 3,000 R&D employees have been trained in 2011 on the 130 training offers structured around 5 pillars of this Academy.
- **Transactional Sales:** The Sales Excellence Academy focuses on the sales competencies needed to support transactional

business, which is also undergoing transformational changes driven for example by EcoStruxure. In addition, the Group developed and piloted in 2011 an offer targeting more than 2,000 sales managers addressing their roles as Strategist, Coach, and Communicator. This offer is ready for deployment in 2012.

Access to learning

Schneider Electric made available to all employees its Leadership & Desktop Library, which comprises a collection of 400 different e-learning courses. In 2011, around 14,000 employees consulted these courses. More than 80 learning paths have been created from these courses to develop soft skills in different fields.

In 2011, Schneider Electric also completed the specifications, call for proposal, and subsequent evaluation and selection of a Global Learning Management System. This is targeted for phased deployment globally beginning 2012, taking the Group another step closer towards its ambition of making learning readily available to every employee: in the 2012-2014 Planet & Society Barometer, Schneider Electric set the target to achieve at least one day of training for every employee each year.

Innovation in training

- **Collaborative Learning:** A number of pilots were launched in 2011 utilising web social media tools to build collaborative learning groups as part of a Learning program. These groups were centred on communities such as New Hires, Action Learning Project Teams, etc. The learning the Group has derived will be used to build upon further iterations in 2012.
- **Technology:** Pilot projects, for example Schneider Electric Kindle e-book learning application, aims to make learning more accessible. The Group also used media such as e-mail or SMS to deliver "Bite-sized" learning to employees. Webinars are another fast growing method that has been used in 2011 to deliver training in topics ranging from leadership to technical skills.



4.5 Anticipating workforce needs

The business growth of Schneider Electric, its ever expanding locations, and the shortage of critical skills available on the market inspired the Group to create a small team dedicated to Strategic Workforce Planning in 2011. This team's mission is to create a practical framework which flows from the organisational strategy and links operational HR execution to the medium and long term business needs.

The aim is to enhance management practices so that leaders have a practice of anticipating their workforce needs and develop their employees to address the future business challenges.

The solution transformation and geographic expansion created a sense of urgency around creating an HR practice comfortable with anticipating the future competency and headcount gaps needed to capture the market of tomorrow. With that in mind, the Strategic Workforce Planning team has a responsibility to build skills and confidence in this methodology with strategic planners, business leaders, financial controllers and HR staff.

Approach

The changing economic conditions around the world have caused Schneider Electric to develop a workforce planning methodology which is agile enough to adjust based on today's results while maintaining alignment with the organisation's long-term strategic direction.

Strategic Workforce Planning provides a framework to help the Businesses manage change and risk through simulating factors out of their control and developing strategies and responses to mitigate that risk. It helps the leaders deal with the unknown and rehearse how they might adapt to future events through decisions they make today.

The availability of talent globally is vital to the execution of the Group's medium and long term strategy. As the business of Schneider Electric evolves, the talent needs become increasingly complex. With workforce planning, Schneider Electric is able to segment

talents and focus on the building of new, critical competencies which will be the core competencies of tomorrow. Schneider Electric is also able to focus on critical roles for the medium and long term and ensure that it has a process to develop, hire and retain talent in those key areas.

The stakes for new and mature economies are different, but the approach to strategic workforce planning is dynamic enough to handle both situations.

In mature economies, the strategic workforce planning challenges come in different forms: ageing workforce, need for new competencies in renewable energy, energy management services... These challenges give Schneider Electric the opportunity to deliver on strategic moves by building the key competencies to anticipate the workforce of tomorrow.

In new economies, rapid inflation means Schneider Electric has to be deliberate about how much space it makes available for hiring and it has to be agile enough to develop new talents.

The Group also zooms on key competencies and new regions which are requiring fast development.

Action plans

The Strategic Workforce Planning approach is based on the principle that Schneider Electric must translate various financial, strategic and human capital factors into a coherent and sustainable workforce plan. To accomplish this goal, business leader, financial and HR partners have to work together.

The starting point for workforce planning is the business' strategic plan. Strategic Workforce Planning identifies the key elements of the business plan which impact the workforce in the medium and long term. It analyses planned strategic initiatives and makes scenarios based on the expected revenue changes. Finally, it looks at financial constraints.

In 2011, Strategic Workforce Planning has developed a robust method and tools that have been well received from business units managers, finance as well as HR. It also launched pilots around the world.

4.6 Diversity

Approach

Since 2002, diversity and equal employment opportunity have been an integral part of Our Principles of Responsibility, and have been inspired by the company's vision:

- talented and diverse workforce is a key competitive advantage;
- the wide array of perspectives that results from such diversity promotes innovation and business success;
- in treating all people with respect and dignity, we strive to create and foster a supportive and understanding environment in which all individuals realise their maximum potential within the company, regardless of their differences.

By promoting the integration of new talents and a wide range of skills, diversity represents a source of innovation, performance and competitiveness: over and above this observation, Schneider Electric intends to move beyond its simple promotion to take a pragmatic approach to the management of diversity day by day.

Diversity and equal employment opportunity are enshrined in the One company program, with two primary objectives:

- strengthen the role of managers in rolling out the Group's diversity strategy;
- consolidate the place of equal employment opportunity in HR management practices.

Agreements in France

In 2004, Schneider Electric France formalised its commitments to equal employment opportunity in a first company agreement and signed the Diversity Charter. In 2007, Schneider Electric was awarded France's Equality Label and signed the Parenthood Charter the following year.

Gender diversity:

- Equal Employment Opportunity Agreement (since 2004);
- Equality Label (since 2007 and renewed in 2010);
- Parenthood Charter (launched in 2008).

Disability:

- Disability Agreement (eighth agreement signed in 2010 for the 2010-2012 period).

Age diversity:

- Senior Agreement (since 2010);
- Apprenticeship Agreement;
- Training Agreement.

Diversity of origin (social, cultural, nationality, backgrounds, etc.):

- *Espoir banlieue* plan (promotion of employment opportunities for young people from underprivileged areas);
- partnership with the *Nos Quartiers ont du Talent* association ("Our neighbourhoods have talent");
- *100 chances – 100 emplois* program for professional integration of youth suffering from discrimination (see page 89).

Action plans

Several global processes have been developed to support Schneider Electric's diversity policy:

- People Review process to detect talent and promote equality and diversity at all levels of the company, ensuring that professional development is based on equality. In 2011, the people review process was extended to all Schneider Electric entities, including latest acquisitions, enabling the company to use a single process and ensuring, by this way, that all employees have the same means to manage their development and career;

- talent Pool to foster talent development throughout the world and the access of women to key positions;
- recruitment policies, succession planning, access to training, talent and promotion management, which pay particular attention to gender balance and new economies representation;
- trainings leading to diplomas and qualifications for OATAM employee categories (Manual Workers, Administrative Employees, Technicians and Foremen), which impact is major on promotion and remuneration of women, particularly manual workers and assistants;
- working session trainings on diversity for members of the Executive Committee and their management teams;
- On-line training program dedicated to the promotion of diversity, launched globally in 2009.

Gender balance

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

From an operational point of view, the strategy consists of:

- promoting women in the talent pool and in positions of key responsibility;
- ensuring equal access to training and developing the conditions for genuine diversity in the workplace;
- curtailing average wage differentials by allocating a specific annual budget (in France – see below);
- creating favourable working conditions for both men and women by adopting measures designed to enhance work-life balance.

For example, succession planning for key positions in the company must include at least one woman. Along the same line, the promotion of women is monitored, as is their participation in leadership development programs. “Go Green in the City” international case challenge for students (see page 73) is a Schneider Electric initiative that helps attract female graduates for internship or recruitment.

Gender balance Executive Workshops (half day seminars focusing on gender balance) were deployed in the leadership teams of main entities. At end of 2011, 120 top managers have been involved.

In 2011, within the 2,500 talented employees identified across the Group, 25% are women (up 4 points compared to 2010).

In the new company program, through 2012-2014, the percentages of women in key positions and in the talent pool are key performance indicators. The Planet & Society Barometer sets to have 30% of women in the talent pool by the end of 2014.

Equal pay for women (France)

Salary equality is fundamental to the equality of treatment that Schneider Electric is committed to guaranteeing for all its employees, both male and female.

In France, this commitment has been put into action each year since 2006 by allocating a budget (0.1% of the salary total) dedicated to reducing male/female salary inequality. In 2011, Schneider Electric

decided to strengthen this and launched a large campaign with two objectives:

- to give meaning to the idea of “salary equity” even though salary individualisation leads to differences in remuneration;
- to analyse all remuneration by looking at competencies, responsibilities and the professional pathway of each male and female employee.

Nationalities

Schneider Electric has always promoted change, adhering to an international, innovative and responsible strategy. With 137,000 employees in more than 100 countries, Schneider Electric transforms the diversity of its employees into a means to understand its customers and the world in which we live.

In 2011:

- five nationalities are represented within the Executive Committee (French, American, German, British, Spanish);
- 17% of Country Presidents are French, against 50% in 2003;
- 20% of Country Presidents based in Asia are French, against 60% in 2003;
- the number of French expatriates is not currently more than 25%, in 2003 it was 55%;
- the number of nationalities has increased considerably, from 48 in 2003 to 70 in 2011.

These developments are a result of the Group's careful and committed policy. In addition, Schneider Electric received the Human Capital Award in 2011 within the Internationalisation of Management category, from among the CAC 40 companies.

Emphasis is also placed on representation of new economies with it in the Group's talent pool: among the 2,500 high potential employees identified at the end of 2011, 36% are located within the new economies (up 6 points compared to 2010). The share of talent coming from the new economies is a key performance indicator established in the new Business Program for the 2012-2014 period.

Disability

Schneider Electric focuses on training and adapting workstations to foster the independence of employees with a disability and to ensure that all are accorded the same opportunities to succeed. Schneider Electric is committed to ensuring maximum independence for employees by adapting the organisation and workstations and providing access to the best technologies available to compensate for their disabilities. Schneider Electric also works on preventing disabling situations.

All its teams cooperate to change behaviour, improve practices, and involve all personnel in actively providing equal opportunities for the disabled:

- the Recruitment and Mobility unit utilises partner firms and monitors compliance with equal treatment at all stages of the recruitment process;
- the Occupational Health Department is responsible for preventing individual and group disabling situations (ergonomics, desktop adaptation, musculoskeletal risks...), retaining disabled employees and disability compensation;
- the Purchasing Department specifies its requirements to temporary employment agencies and ensures compliance with commitments in terms of subcontracting to the protected employment sector.



Schneider Electric subcontracts to the Établissements et Services d'Aide par le Travail (ESAT – Assistance through Employment Entities and Services) for industrial work, landscaping services, catering and seminars. In Europe, the amount subcontracted to the protected employment sector represents EUR 43 million in 2011, including: EUR 18 million in France, EUR 12 million in Spain, EUR 4 million in other Western Europe countries and EUR 9 million in Eastern Europe (Czech Republic and Hungary).

Schneider Electric signed its eighth Disability Agreement in France in January 2010. The three-year Agreement (2010, 2011 and 2012) is directed and promoted globally and throughout the country through a network of internal and external members (Purchasing Department, Employment Management Department, Occupational Health Department, Communication Department, corporate partners and specialist agencies) with local rollout by "Disability Officers".

In France, Schneider Electric recruits through work-study programs for positions that are predominantly technical, and also for service sector positions ranging from the Certificat d'Aptitude Professionnelle (skills training certificate) to engineering degree level. The company is committed to recruiting 20 persons with disabilities each year: 15 on work-study contracts (learning and/or professional development) and 5 persons on a fixed-term contract.

In 2011, 8 people with disabilities were recruited on work-study contracts and 6 on permanent contracts. In all, employees with disabilities accounted for 6.19% of employment at Schneider Electric in France in 2011, 3% of these in indirect employment (subcontracting to the protected sector) and 3.19% in direct employment. The mobilisation of internal actors and the creation of a network of responsible persons for disability in 2010 led to an improvement of practices; thus, the objective of 6% set by the law was reached for the second year in a row.

Schneider Electric in 2011 committed to a voluntary approach within the scope of the disability agreement to improve all of its industrial and tertiary establishments in France and make them accessible. In compliance with the French law of 2005 promoting the principal of equal access to all and for all, the program anticipates:

- carrying out an assessment of the situation on existing sites;
- ensuring compliance with legislation and going beyond;
- anticipating future construction and renovation projects;
- making expert occupations more professional in terms of disability access;
- constantly working for improvement using a measurement indicator: the accessibility index.

This project covers 30 establishments in 2011 and around 40 in 2012.

Generational diversity (France)

Within the scope of the agreement on seniors, Schneider Electric has implemented an interview for the second half of a career called: "The Outlook Meeting".

This is a voluntary meeting for employees on their 45th birthday.

The Outlook Meeting takes place in two stages:

- an outlook stage with an Apec consultant (Management Employment Agency) that aims to help the employee to plan for the second half of their career;
- a consolidation stage with their manager to validate the professional development pathways they have taken and to implement an individual action plan.

More than 300 employees have had an Outlook Meeting, 74% would recommend the meeting to their colleagues.

4.7 Employee share ownership

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

Approach

The Group has been building an international employee shareholder base since 1995 that is representative of the Group's diversity. Employees should hold around 5% of the capital in 2015.

Action plans

Employee share ownership plan 2011

Schneider Electric has ramped up its in-house communication to employees to ensure that they have a clear understanding of the challenges facing the company, its policy and its financial results. The "2011 Plan" was very well received, with 24,400 employees in 14 countries subscribing shares for a total of EUR 178 million.

The employee shareholding at December 31, 2011 represented:

- 4.55% of Schneider Electric SA's capital and 7.06% of the voting rights;
- Over 30% of the employees worldwide.

In 2012, the Group is already expected to launch a new global Plan. This 2012 Plan will cover 103,000 employees in 26 countries.

Socially responsible investment fund

In November 2009, Schneider Electric created the Fund *Schneider énergie Solidaire* (a dedicated mutual fund). A number of information sessions were held on this special purpose fund providing the opportunity for employees in France to share in the ideas and actions of Schneider Electric outlined in its access to energy program called BipBop (see pages 81-85).

Investment in this fund totalled in excess of EUR 3.3 million as of December 31, 2011, thus enabling 2,137 of the employees to take part in social welfare projects in France and abroad developed as part of the BipBop program (EUR 2 million in 2010 and 1,500 employees).

4.8 Social Dialogue and relations

Approach

Schneider Electric considers that freedom of association and collective bargaining are fundamental rights and must be respected everywhere. For many years, social dialogue has been taken into consideration by our social reporting system: each year, local HR report the presence of trade unions, works councils and health & safety committees (see page 103). In 2011, 85% of Schneider Electric entities have at least one representative organization (figure based on more than 80% of the overall headcount).

Social dialogue is managed at European level through the European Works Council and at Country level by the HR leaders. Schneider Electric applies in all countries the same HR policies and processes regarding career management, training, diversity, health & safety... as well as the Responsibility and Ethics Dynamics program and the R&ED line (under deployment, see pages 57-58).

Action plans in major localisations

European Works Council (EWC)

Schneider Electric senior management and the employee representatives of the European countries decided to set up the Schneider Electric European Committee (renamed European Works Council) under the terms of a collective agreement signed on January 28, 1998.

This European channel for dialogue has enabled 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.

Buoyed by this encouraging result, the signatory parties agreed in 2011 to revise the existing agreement by pursuing the following objectives:

- take into account recent acquisitions in Europe;
- incorporate the provisions of the European Directive 2009/38/EC of 6 May 2009, which supplements the Directive of 22 September 1994 by specifying dialogue and consultation methods between Management and employee representatives at European level.

This amendment clarifies the role of the EWC and its Bureau in the consultation process and re-defines the geographical scope of the Committee offering one seat to Switzerland and Turkey.

The amendment number 3 of the collective agreement has been signed by all members of the EWC at end of 2011.

In 2011, the European Works Council met six times in three different locations in Europe: five restricted committees (including negotiation meetings for the amendment) and one plenary session.

In March 2011, the members of the EWC received a two-day training conducted by both external trainers and internal specialists.

The restricted committee, during its last session of the year, reviewed two European agreements signed with the European Metal Workers Federation:

- the European Agreement on the anticipation of changes signed in 2007,
- the European Agreement on the integration of Areva D company signed in 2010.

Also, the so-called "Temporary Instance", to follow the integration of the Areva D employees into Schneider Electric and gathering representatives from both Alstom and Schneider Electric, held its last meeting in May 2011. Indeed, the participants considered that this original body, created during the acquisition phase, reached the objectives that the different parties agreed on in 2010.

Group Works Council, France

The Schneider Electric Group Works Council France is a forum for economic, financial and social dialogue between senior management and the representatives of the employees from all French subsidiaries. This body currently gathers 30 members.

In 2011, two sessions of training gathering all members have been organised.

In order to better understand the evolution of the business of Schneider Electric for the future, the Group Works Council France visited a solar farm.

To discuss in depth important topics like the integration of Areva D activities in Infrastructure Business unit, some additional meetings have been organised during 2011. In total, the Committee had three meetings of one or two days in 2011.

Social dialogue in the United States

In the United States, regular communication takes place with both union and non-union employees on key business topics and trends affecting their jobs. Company officials meet on a semi-annual basis with key international union leaders to inform them of competitive issues impacting the company's business, and to ensure alignment with the company's business strategies and challenges, on a local, regional and global basis.

In 2011, Schneider Electric successfully negotiated new collective bargaining agreements with the three international unions in the United States - the International Association of Machinists (IAM), the International Brotherhood of Electrical Workers (IBEW) and the International Brotherhood of Teamsters (IBT). A new three-year labour agreement was ratified at six manufacturing facilities represented by the three unions. Also, a new three-year agreement was ratified by the employees represented by the Chicago and



Midwest Regional Joint Board, Worker's United which manufactures the Juno Lighting brand.

Social dialogue in Mexico

In Mexico, Schneider Electric leaders have regular communication with the 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 three national Unions which represent unionized employees. Schneider Electric keeps them informed of internal and external issues impacting the company's results, listen to their concerns and look for alignment with the company strategy and challenges.

Schneider Electric and the Unions have negotiations regarding salaries and every two years the contracts are reviewed. In 2011, Schneider Electric negotiated salary agreements in all the manufacturing and distribution facilities as well as benefits in five manufacturing plants.

Social dialogue in China

In China, new labour laws, which refer to several important work-related issues, came into force in 2008. Schneider Electric fully complies with the new Chinese law:

- Schneider Electric union is established and is functioning in China, it is engaged with city trade union;
- the Group is under discussion with city trade union on how to deal with collective contract, which is new in China.

Social dialogue in India

In India, social dialogue is traditionally restricted primarily to blue collars working in factories. Schneider Electric has 31 factories

across India. Only 3 factories have Registered Trade Union, namely Infrastructure Business at Naini, Global Supply Chain factories at Chennai and Nasik. In these factories, social dialogue is done through involving Unions. In all other factories, social dialogue is organised either through Works Councils/Committees or through direct dialogue with employees.

Schneider Electric India has a strong social dialogue culture with both unionized and non-unionized employees (Work Committees/Councils). These representatives periodically meet and discuss the issues on grievances, productivity and growth. Apart from the regular meetings, management representatives also meet with Union or Works Council representatives based on the need. The Unions are affiliated to the external bodies and registered under the Trade Union Act, 1926.

The majority of Schneider Electric employees are non-unionized (28 factories out of 31). These employees are represented through various employee committees and councils (such as Welfare Committee, Women's Committee, Transport Committee, Canteen Committee, Sports & Recreation Committee, Safety & Health Committee, Prevention of Sexual Harassment Complaints Committee, etc.). 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. To maintain cordial employee relations in the organisation and create an atmosphere of trust and motivation, we sign every year a single or bipartite agreement on salary and benefits as per the provisions of local laws for a year.

In 2011, Schneider Electric Global Supply Chain India successfully negotiated an agreement through collective bargaining with two Unions (Nashik and Chennai). Thereby, Schneider Electric agreed to fix all the terms on wages and benefits for next four years.

> 5. Schneider Electric, a responsible corporate citizen

Schneider Electric has consistently 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 by helping people to enter the workforce, and through its access to energy program.



5.1 The BipBop energy access program

Context and aims

In today's world, 1.3 billion⁽¹⁾ people, approximately 300 million households, do not have access to electricity; 585 million of these live in Sub-Saharan Africa, 404 million in India, 100 million in Indonesia and in Bangladesh.

In general, these disadvantaged groups live on less than US\$ 2 per day.

While their families' energy costs may run to more than US\$15 a 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.

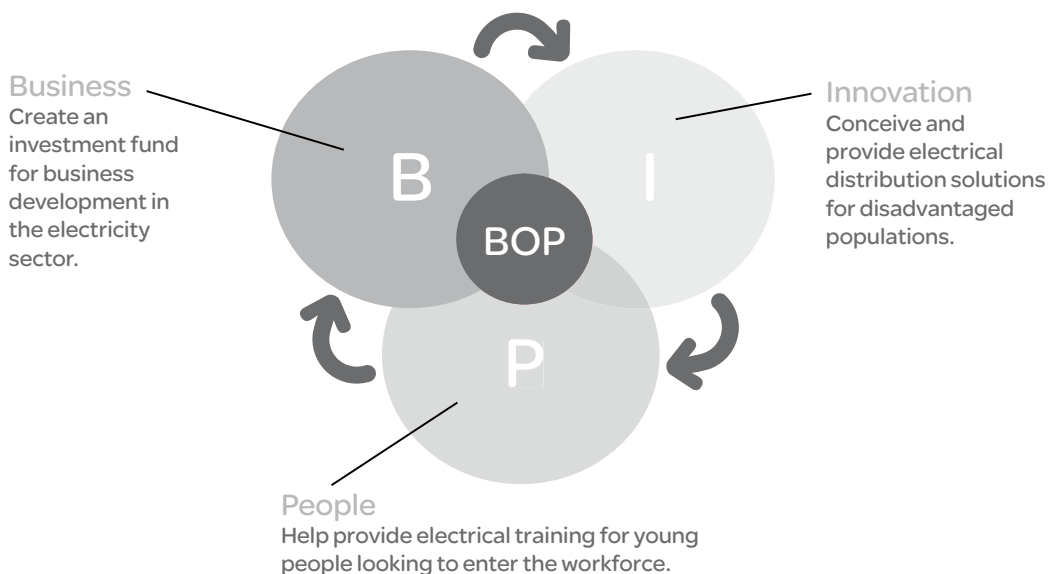
Through its energy access "BipBop" program, Schneider Electric wants to play a major role in helping people at the base of the Pyramid to gain access to electricity.

Schneider Electric is involved in three specific areas:

- **Business (Investment)** – manage an investment fund for business development in the electricity sector;
- **Innovation (Economic and Offers and Models)** – build and deliver electricity distribution solutions for disadvantaged groups;
- **People (Training)** – help provide electrical training for young adults looking to enter the workforce. The Schneider Electric Foundation and Schneider Electric's team members support this focus through their collective and individual commitment.

Created in 2008 and launched in 2009, the BipBop (Business, Innovation, People at the Base of the Pyramid) internal energy access program illustrates Schneider Electric's desire to create a virtuous circle combining business, innovation and social responsibility.

The "BipBop" program



(1) Source: International Energy Agency – World energy poverty 2010.

> WHO IS A PERSON AT THE BASE OF THE PYRAMID?

“Base of the pyramid” is a term widely used today to refer to those with the lowest income either in the world or in a given country. Whether seen in absolute terms (income of less than US\$1.25 per day in “purchasing power parity” terms according to the World Bank) or in relative terms (income of less than 60% of the average income for the European Union), poverty affects people in marginalised situations (infrastructure, isolation, poor access to banking structures, etc.). Specific approaches are required to meet these challenges and to contribute to reducing poverty.

Organisation

Management

The program is managed by the Sustainable Development Office. The BipBop program management team has been strengthened in 2010 in line with the ambitious objectives set for it in the *One*

program. The team is now spread equally between France and India:

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

Rollout

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

Their involvement may be part or full time. They contribute their knowledge of the local context (organisation of civil society, local authorities, the private sector) 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 BipBop are India, Bangladesh, China, South Asia, Sub-Saharan Africa and South America.

Three key performance indicators were set in the Planet & Society Barometer for the duration of the *One* program (2009-2011):

Objectives for Year-End-2011	2011	2010	2009	2008
1. 1,000,000 households at the Base of the Pyramid have access to energy thanks to Schneider Electric solutions	1,291,768	891,058	260,000	0
2. 10,000 young adults at the Base of the Pyramid trained in the energy management professions	12,318	4,742	2,150	0
3. 500 entrepreneurs at the Base of the Pyramid set up their activities in the energy management field	391	209	125	0

NM = indicator not monitored.

The 2008 performance serves as a starting value for the Planet & Society Barometer *One* program between 2009 and 2011.

Please refer to pages 90 to 92 for the methodological presentation of indicators, and the following pages for the analysis of the results (pages 84 for indicator 1, 84-85 for indicator 2 and 88 for indication 3).

Highlights of 2011

- indexation of the performance incentives for the Executive Committee members to one of more components of the Planet & Society Barometer, chosen according to their field, for example, Access to Energy for the Population at the Base of the Pyramid, for managers in the Asia-Pacific and EMEAS zones;
- two out of three BipBop targets were exceeded as a result of the energy access solutions implemented in the new countries (Kenya, Burkina Faso and Sierra Leone in particular) and as a result of the launch of new training programs.

Social welfare investment (Business)

In July 2009, Schneider Electric announced the creation of a global social welfare investment fund called Schneider Electric Energy Access (SEEA), with an initial capital of EUR 3 million.

At December 31, 2011, the following amounts were managed by the fund:

- EUR 3,000,000 in capital invested by Schneider Electric;
- EUR 1,000,000 in capital invested by *Schneider Energie Sicav Solidaire*;
- EUR 2,000,000 in capital invested by Phitrust Partenaires;

Approach

Created with the support of the *Crédit Coopératif*, the fund's mission is to support the development of entrepreneurial initiatives worldwide that will help the poorest populations obtain access to energy. It will invest in specific projects:

- help jobless individuals create businesses in electricity;
- promote the development of businesses that provide access to energy in rural or suburban areas in developing countries;
- support the deployment of innovative energy access solutions that use renewable energies for people at the Base of the Pyramid.

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 socially welfare investment structure, designed by Schneider Electric to promote responsible development, constitutes a response to the new French legislation on employee savings plans. In 2011, 2,137 Group employees in France showed their interest in the BipBop program by investing a little over EUR 3.3 million (see page 78).

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 recognised 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 minimising risk.



> SEEA FUND INVESTMENT POLICY

	International projects	France projects
Sectorial specialization	<ul style="list-style-type: none"> • Access to energy sector • Sector of micro finance institutions funding the abovementioned sector • Social impact of businesses funded 	<ul style="list-style-type: none"> • Job creation through electrical profession
Geographical targets	<ul style="list-style-type: none"> • Asia and Africa priority 	
Methodological rules	<ul style="list-style-type: none"> • Always through joint investment • Minority participation only • Always provide technical and management support 	<ul style="list-style-type: none"> • Always through joint investment • Minority participation only • Always provide technical and management support
Investment type	<ul style="list-style-type: none"> • Own funds • Tickets size: 100 to 400 thousand euros • Investment period: 5 to 7 years 	<ul style="list-style-type: none"> • Own funds • Tickets size: 200 to 1,000 thousand euros • Investment period: 3 to 5 years

Action plans

Investments in France

La **Foncière Chenelêt** is a Chenelêt Group employment opportunity company formed to counter energy precariousness by creating energy-efficient social housing. Moreover, construction sites bring together employment opportunity companies and conventional firms to promote rehiring of the unemployed.

The SIDI (International Solidarity for Development and Investment) is an investment fund that assigns priority to the impact on development relative to return. The fund is an important partner of SEEA and is particularly active in the microfinance sector.

Solasyst is a company of "La Varappe" employment opportunity group based in Aubagne, France. The company specialises in renewable energy solutions and has developed specific skills in

integrated solar panel installation. Backed by SEEA's investment, Solasyst will open two new branches in the south of France.

Partnership with the ADIE

Schneider Electric set up a project two years ago in partnership with the *Association pour le Droit à l'Initiative Économique* (ADIE) to help entrepreneurs start electricity-related businesses. The goal is three-fold:

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

The project targets entrepreneurs who do not have access to bank loans, notably the unemployed and low-income individuals. Schneider Electric and Schneider Initiatives Emploi, an association that nurtures spin-offs, finance part of the microloans granted to



electrical businesses through ADIE. Schneider Electric's French sales division has also created a pact with dedicated technical training resources combined with support from a local sales representative to help these entrepreneurs.

129 businesses received support in 2011.

Investments internationally

Two transactions were concluded as part of the SEEA international portfolio in 2011:

- Kayer SARL a Senegalese company involved in the distribution of photovoltaic solar panels in rural areas. Its offering includes individual systems (SHS) as well as collective systems for supplying irrigation pumps or agricultural windmills;
- Nice International. A company that manages networks of internet cafes using solar power systems. These internet access points allow users to access training, communication and information means. The SEEA investment alongside FMO (Dutch development aid funds) and Rabobank investments will allow the company to expand in Tanzania.

Finally, discussions are under way for other partnerships in India and Africa.

Offers and economic models for the base of the pyramid (Innovation)

Innovation is reflected in the design and implementation of rural electricity offers, products and solutions for disadvantaged groups.

Approach

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

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

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

Action plans

Electrification of villages in Nigeria and Senegal and a partnership with Grameen Shakti in Bangladesh

In 2011, Schneider Electric established a partnership with the Grameen Shakti organisation based in Bangladesh. Through the partnership, Schneider Electric aims to supply lighting products and power control systems customised to demand for Grameen Shakti.

Schneider Electric is currently strengthening this partnership through the rollout of training programs that are fully integrated into the BipBop plan.

After Vietnam in 2010, four rural electrification projects were successfully implemented in 2011.

The first three projects in Senegal concerned the electrification of three eco-villages situated around Dakar. They were implemented in partnership with the ANEV (National Eco-Villages Agency) and the company KAYER, a local installer with whom Schneider Electric signed a partnership agreement in 2010.

Another village electrification was carried out in Nigeria in the Ogun province. Schneider Electric implemented an off-grid solar power station that powered community buildings and a battery charging station. This station is managed by a local entrepreneur who rents the batteries to individual homes on a daily basis.

In India, Schneider Electric rolled out the same entrepreneurial battery charging business through selected volunteer entrepreneurs at the start of a basic electrician training program.

Launch of a collaborative project

The MiCST project consists of designing and manufacturing an innovative solar plant using sunlight to heat a thermal energy supply powering a thermodynamic machine coupled with a 10-kW alternator.

The associated offer, named Microsol, will be designed to supply off-grid areas. MiCST is aimed in particular at developing countries with strong sunlight. Simple to install and maintain, it can be easily adopted by local populations. A major technical and technological challenge, it will take high-strength, low-cost and eco-design criteria into consideration.

The project extends over 42 months and coordinates the expertise of 12 industrial and research partners. It is supported by the French Environment and Energy Management Agency (ADEME).

Low-consumption lighting system

In a program to extend access to energy, lighting is one of the first vital needs expressed by population groups denied access or reliable access to electricity. Lighting makes it possible to study after the sun has gone down and to extend entrepreneurial activities into the evening. Schneider Electric developed In-Diya, an innovative and very low-cost domestic lighting system. With two types of lamp made up of 90 or 45 low-consumption LEDs (4.5W for 90 LED) that can be connected to a battery, which is in turn connected to a photovoltaic panel for charging.

This new system is available practically everywhere in the world. Partnerships have been set up with local institutions and organisations to optimise deployment of the product and to target the poorest communities.

The lamps are sold through our distribution networks, subsidiaries, a number of NGOs and businesses in the sector developing access to electricity.

Training (People)

Approach

The key challenge of training in the electrical sector is to provide those at the "base of the pyramid" with the knowledge and skills to be able to carry out the task given to them in a safe and responsible way, as well as providing their families with the means for suitable subsistence.

It will also give them the ability, should they wish, to sell and maintain energy access offers 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 the training of disadvantaged groups at the base of the pyramid includes three key priorities:

- basic training that is relatively short, free and accessible to a large number of people; full-time or evening and weekend courses to be able to better adapt to the local situation;
- training leading to qualifications in partnership with local Ministries of Education, included within the bilateral guidelines;
- training for trainers to support effective and quality roll-out of training down the line, accompanied by financing for investments in materials.

These actions are funded by the Schneider Electric Foundation and are systematically implemented in partnership with local actors and/or national or international organisations (NGOs, governments, etc.).

Action plans

In 2011, Schneider Electric set as a priority the optimisation and rationalisation of existing projects to prepare to extend them on a larger scale during the period 2012 to 2014. This was particularly the case for its three major projects in India, Brazil and Lebanon.

Furthermore, this ambition was maintained on its other projects and at the end of 2011 there were 19 projects that contributed to the development of knowledge in electricity in 16 countries and opened the way to employment for billions of people.

The new targets had also been explored in 2011 to reinforce the effectiveness of projects implemented in our partner centres:

- direct donation of materials (in Haiti and in Tanzania);
- development of low-cost didactics materials adapted to the technical and economic reality of countries at the base of the pyramid (first prototype in November 2011);
- support of micro-enterprise creation by young adults coming from partnership training centres (50 in India in 2011).

2012 will be the year of supporting the growth of existing projects whilst proving their effectiveness. The target will be to train more than 10,000 new people during the year.

This year will also see the first experimentation in transnational duplication (Lebanon to Morocco/Nigeria, India to sub-Saharan Africa, Tanzania to the East African Community).

Projects started in 2010 will be fully underway in 2012:

- launch of a BipBop Education didactic materials range;
- implementation of a materials donation process to extend this action;
- support of at least 150 new self-starting entrepreneurs in India and experimentation with the model in new countries (Haiti, Cambodia).

Due to the fact that the complimentary factor could be an even more effective factor in helping populations at the base of the pyramid, research on a more voluntary basis by partnerships with the companies sharing Schneider Electric's values will be started in 2012. This may lead to opening our existing projects to new partners or to co-construction of new projects with them.



5.2 The Schneider Electric Foundation

Approach

Created in 1998 under the aegis of Fondation de France, the Schneider Electric Foundation is involved in three main programs:

- training and employment opportunities for young adults from the base of the pyramid trained primarily in the electrical profession;
- support for emergency and post-emergency relief efforts after natural disasters;
- raising sustainable development awareness through innovative projects.

The Foundation carries out its work through a network of 120 employee volunteers, known as delegates. These volunteers, who are located in more than 70 countries, are responsible for identifying local partnerships, presenting them to employees in their units, and to the Foundation and tracking projects once they are launched. Each project is subject to a review process based on administrative and financial data by the Schneider Electric Foundation and by Fondation de France before funds are released.

With an annual budget of EUR 4 million, the Foundation works to support its partnerships through Schneider Electric entities in which employees are also involved. A total of EUR 12.4 million have been invested in this way to benefit local communities (see page 105).

Organisation

The Foundation's network structure is an original and very suitable means for engaging local, humane, and lasting sponsorship. It also reinforces the energy of the people involved. In each site, the choice of delegates is made based on recognised and formalised participation via a letter of engagement signed by the head of the site and that of the Foundation for a duration of two years. In 2011, the Foundation had 120 delegates in 70 countries for a mission, which includes:

- selecting an association dedicated to employing young adults and supporting this partnership;
- organising local events adapted to the country's culture, to better boost employee morale;
- informing employees of Foundation activities at their site.

The delegates also coordinate the organisation of the annual campaign for international mobilisation called Luli. This week takes place in June and is an important time in the life of the Foundation and the company with local partnerships taking centre stage at an international level.

Governance

The Schneider Electric Foundation Board of Directors meets two times per year. It defines and encourages significant strategic directions for the Foundation. It is composed of Schneider Electric managers, employee representatives, and important people from outside of the company.

Requests received, responding to the foundation's criteria, are systematically sent to the delegate of the country concerned for the proposed project. If the project is selected and supported locally, it can then be studied on the corporate level by the selection committee if a supplementary budget is necessary.

This committee is composed of three members: the Foundation Managing Director, the Foundation Program Director, and the Access to Energy Program Training Director. They meet every month.

Action plans

Training and opportunities for young adults

To facilitate the integration and professional training of the most under-privileged young adults, the Schneider Electric Foundation continually encourages and supports national and international integration associations or electrical profession educational organisations.

To fulfil this mission the Foundation also participates in the Group's commitment to sustainable development. In particular, it also contributes to the BipBop energy access program (for Business, Innovation and People at the Base of the Pyramid) started in 2008. The Foundation supports the People aspect of the program, dedicated to training with priority given to the target developing countries.

All of these actions are monitored and measured on a quarterly basis within the scope of the Planet & Society Barometer through a key performance indicator: 10,000 young adults at the base of the pyramid trained in the energy management professions.

The target was achieved and exceeded at the end of 2011 with 12,318 young adults trained.

The new Connect Business Program includes this training target once again with an increase: to train 30,000 people at the base of the pyramid in energy management occupations by the end of 2014.

Emergency relief and reconstruction aid

Acting as intermediary in rallying its employees, the Schneider Electric Foundation regularly brings its support during natural disasters. The Foundation above all wishes to maintain long term

involvement. The aid takes place at two times: during the emergency the teams mobilise immediately to support the specialised NGOs and to meet the initial needs of the populations. The second stage is then implemented, which can take time. This stage aims to contribute to the reconstruction in the medium term. The actions supported and developed by local partners focus on construction projects, reconstruction and rehabilitation of the technical training centres for energy management professions. This is the part of the program which mobilises the essential available resources. The Schneider Electric Foundation considers it fundamental to share its skills in electrical professions in order to actively contribute to aid in catastrophe-hit zones so that reconstruction can be sustainable.

Two campaigns were launched in 2011 following the earthquakes in Japan and the floods in Thailand.

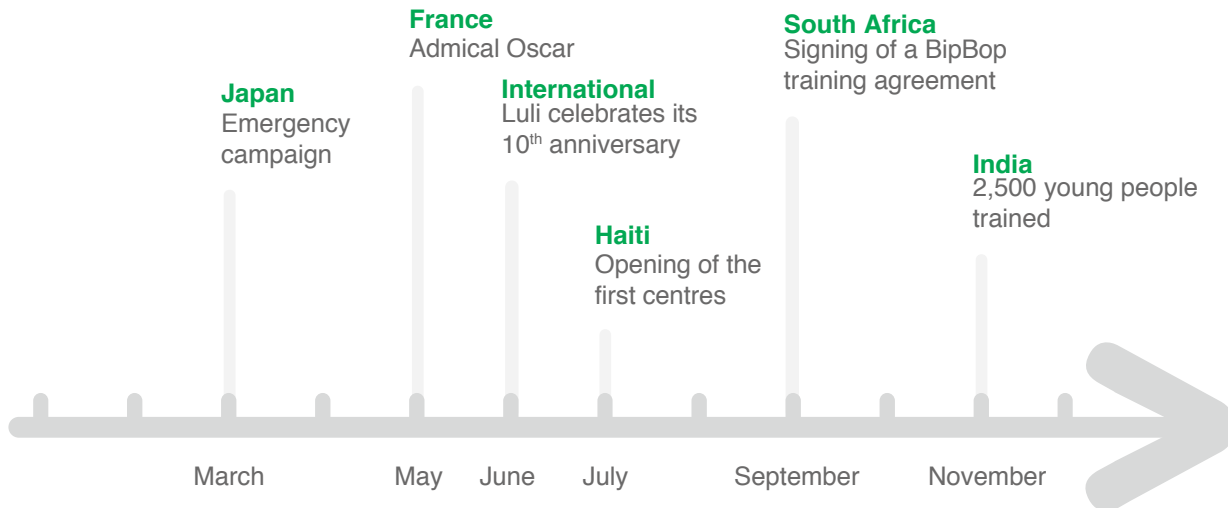
Raising Awareness about Sustainable Development

Energy and climate change are the heart of the issues facing our planet. It is now possible to do more with less resources. By supporting innovative projects, the Schneider Electric Foundation voluntarily helps raise awareness to different parties 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 emphasise:

- the desire to contribute and to provide solutions;
Safe, reliable, efficient, productive and green energy management solutions are now available and operational, even in the most extreme conditions. Through its Foundation and alongside the International Polar Foundation and other partners, Schneider Electric contributes to implementing innovative and exemplary smart networks within the environmental domain;
- the ability to build together, to break down barriers;
By forging links with NGO partners, Schneider Electric aims to develop solutions that will serve the project by extending its scope, adapting to needs and to different ways of collaborating that are new and sometimes unexpected.
- setting an example for employees but also for the wider community;
Faced with the issues of our planet 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.

Examples

Highlights of 2011 for the Schneider Electric Foundation



The Schneider Electric Foundation brings home the Admical Oscar

The Oscar awarded by the company Admical was presented to the Schneider Electric Foundation in 2011. For more than 30 years Admical has organised this initiative that recognises French companies or companies based in France for their exemplary and original sponsorship policy in all areas of general interest: social, education, health, culture, sport, environment, research, international solidarity, etc. The jury, independent of Admical, is made up of qualified persons from the world of business, general interest, media and communication.

"This award honours the actions that we are undertaking. It also gives us the opportunity to affirm our particular vision of sponsorship and its prominent role within the company, through the involvement of foundation delegates and Schneider Electric employees, but also its direct and original contribution to the BipBop energy access program" said Gilles Vermot Desroches, Sustainable Development Director, General Delegate of the Foundation.

In 2003, the Schneider Electric foundation received the Admical Oscar for company sponsorship.

Luli celebrates its 10th anniversary in 2011

Schneider Electric employees, donors and partner organisations met in 2011 to celebrate the 10th anniversary of Luli, the international mobilisation campaign co-ordinated by the Schneider Electric Foundation. As in every year, the Luli campaign is always a joyful moment when local initiatives to support partnerships and involvement with local organisations undertaken by Schneider Electric employees and the 120 Foundation delegates throughout the world can take centre stage.

Luli in 2011 will involve: 28,000 mobilised employees, 150 initiatives, 80 supported organisations and 50 participating countries.

Creation of the "Schneider Electric Teachers" NGO

Since the Schneider Electric Foundation was created in 1998, it has placed Group employee involvement at the heart of its work. Whether Foundation delegates or employee volunteers, they are the link between the company, the Foundation and the supported organisations in more than 70 countries.

The creation of the Schneider Electric Teachers organisation at the start of 2012 resulted from the desire of Schneider Electric and the Foundation to do more to support voluntary work of Schneider Electric current and retired employees in the teaching and professional training programs. The main objective was to provide a new contribution to the BipBop training programs and to undertake 300 missions in three years. This indicator is included in the Planet & Society Barometer 2012-2014.

For more information: www.fondation.schneider-electric.com

Initiatives in North America

American culture gives a lot of importance to community involvement. Schneider Electric North America has the following commitments:

- one of the flagship programs of the Schneider Electric Foundation North America is the "matching gift program", through which the company matches employee donations to the organisations of their choice. In 2011, the Company matched 2,791 donations in North America (compared with 2,578 in 2010 and 2,674 in 2009);
- Pelco by Schneider Electric, the Group entity specialised in building security and video surveillance, is developing a program called Pelco Community Partnership Program which encourages employees to get involved and volunteer in selected associations for up to 40 hours per employee per year;



- every year, APC by Schneider Electric implements a program called Community Impact which gathers employees from the head office and others to support local associations with community service (donating or recycling computer equipment, assisting handicapped people, etc.).

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

5.3 Territorial positioning and impact on economic and social development

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

Business creation in France – Support for business creation with Schneider Initiatives Emploi (SIE)

Approach and action plans

For more than 15 years, Schneider Electric has supported employee projects in France to create businesses or buy going concerns through Schneider Initiatives Emploi (SIE), a dedicated structure demonstrating the Group's commitment to its mobility, employment and regional economic development responsibilities.

SIE also illustrates Schneider Electric's efforts to encourage the development of entrepreneurial values within its units.

The association provides confidential support for Schneider Electric employees during all stages of business creation, as well as afterwards, with a follow-up period of three years.

SIE's dedicated team of seasoned managers is responsible for reviewing the financial, legal, technical and commercial aspects of business creation projects to ensure they are viable and sustainable.

Specific support is offered for energy-related projects, which can benefit in particular from the support of the Sales and Marketing Department. These accounted for more than 20% of all supported projects in 2011. The support of the Sales Department is also provided to electrical designers from EDF.

The SIE structure is represented directly or indirectly in local business networks. To enhance the quality of services offered, it has teamed up with various local associations involved in job and business creation such as the EGEE, ECTI, Management Boutiques, ALIZE, local Undertake networks and other local associations.

More than 1,000 project sponsors were supported, including electrician, baker, consultant, graphic designer, asset manager, florist, etc.

Examples

On 16 November 2011 at the fourth Schneider Electric "Vivez l'aventure !" (Live the Adventure) competition, four young heads of companies received an award to recognise and highlight their initiative. An award of the 1,000th project was celebrated during this competition.

Didier Doucet, the 1,000th project designer, said: "My business plan, produced with helpful advice from SIE, was judged to be very relevant by other bodies including banks and Management Boutiques".

- 85%: the success rate after three years for the projects SIE supports;
- 2,200 jobs created: each business created or taken over generates two jobs on average.

Economic development of territories

Many actions are undertaken to contribute to local economic development, for example:

- specific missions within the fabric of the local SMEs (small and medium enterprises) carried out by Schneider Electric senior experts;
- support for organisations that open the way to creation of activities and companies;
- financial aid for learning within the energy sector.

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

The electrical project creators can also access support for expansion from the Schneider Electric Sales Department.

Revitalisation of local labour markets in France

The pilot SIE structure was used to implement the revitalisation actions put into place during restructuring of certain industrial areas.

The involvement of the teams in local economic networks optimises the allocation of resources where they are needed most under these agreements defined in the GPEC, the employment safeguarding plans (PSE) or the future industrial restructuring plans.

Nine local labour markets were involved in 2011. These actions result in support for employment, implementation of the Group's involvement policy, SME development aid, support for the energy sector, learning and other actions desired by the local economic and political authorities.

Job creation for disadvantaged young adults in France

Schneider Electric has implemented a raft of initiatives such as training, professional involvement for young adults from disadvantaged backgrounds, partnerships with schools and associations, financial support for young students, and participation in technical or general training courses, etc. These actions are undertaken by partnerships founded within the scope of the Schneider Electric Foundation.

In France, the annual “100 chances - 100 emplois” campaign targets young adults aged 18 to 30 with a low level of education or qualifications that are susceptible to discrimination, come from “sensitive urban areas” (ZUS) and who are motivated to take part in a job opportunity program.

The objective: to open the door to lasting employment by offering personalised qualification pathways with the help of many companies brought together and led by the pilot companies (Schneider Electric in Grenoble, Chambéry, Rouen, Rueil-Malmaison, Dijon and Nord-Isère).

The aim: attaining positive outcome target of 60%, meaning that participants obtain a fixed-term contract of more than six months, a permanent contract or a skills-qualification training contract.

The French government launched the first “100 chances - 100 emplois” campaign in January 2005 in Chalon sur Saône.

At the end of 2011 more than 600 young adults had obtained a permanent contract, a fixed-term contract of more than six months or a skills-qualification training contract, equal to over 70% of participants. More than 1,100 other young adults were supported by the program.

The “100 chances - 100 emplois” campaign targeted the cities of Aubervilliers, Saint-Denis, Chalon-sur-Saône, Grenoble, Chambéry, Dieppe, Lyon, Nice, Rouen, Rueil-Malmaison, Dijon and Nord-Isère.



> 6. Methodology and audit of indicators

6.1 Methodology elements on the published indicators

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

This referential includes the boundaries, the collection and consolidation procedures and the definitions of this information. As it is engaged in a process of constant improvement, Schneider Electric is gradually supplementing this work to adapt its referential of sustainable development indicators to changes in the Group. This document is regularly updated and additional information can be consulted on www.barometer.schneider-electric.com.

In keeping with its commitment to continuous improvement, Schneider Electric asked Ernst & Young to conduct a review in order to obtain a moderate level of assurance for certain human resources, safety and environment indicators. The audit work is entered along with that conducted since 2006 and was broadened to a larger number of key performance indicators from the Planet & Society Barometer (See Auditor's report page 96).

Human Resources, safety and environment indicators

The Human Resources and safety data comes from several dedicated reporting tools, available on the Group's Intranet, including the *One* reporting tool for the Human Resources and safety data. Its consolidation is placed respectively under the Global Human Resources Division and the Group's Global Supply Chain Management. Data reliability checks are conducted at the time of consolidation (review of variations, inter-sites comparison).

Breakdown of workforce data (by gender, category, age, and seniority), sites declaring employee representation, the number of collective agreements and training programs cover 80% of the total workforce. Performance or career interviews have taken place with more than 84% of the workforce.

This data is consolidated over all fully integrated companies within the scope of financial consolidation, when the Group has more than a 50% stake in the subsidiary.

Units that belong to Group companies which are fully consolidated are included on a 100% basis in reporting. Units belonging to proportionally consolidated companies are also fully integrated. Companies accounted for by the equity method are not included in the reporting.

All the ISO 14001 certified entities must report their environmental data. All production and supply chain sites with 50 or more employees must obtain ISO 14001 certification before the end of the third full calendar year of operation or membership in the Group. Administrative, R&D and sales sites with 300 employees or more had to progressively obtain ISO 14001 certification between 2009 and the end of 2011. Other sites may seek certification and/or report on a voluntary basis.

Indicators from the Planet & Society barometer

The following Human Resources, safety and environment data is used by indicators from the Planet & Society Barometer and verified by Ernst & Young: total workforce, workforce present on the ISO 14001 certified sites, ISO 14001 certified sites, and the accident frequency rate.

Other data is used and consolidated under departments directly concerned by the indicators (Human Resources, environment, the Foundation, etc.) and each represented by a driver.

The global performance of the Planet & Society Barometer is calculated by the Group's Sustainable Development Department. The indicators from the Planet & Society Barometer have a Group scope with specific levels of coverage per indicator.

30,000 T annual reduction of our CO₂ equivalent emissions

This indicator includes:

- direct greenhouse gas emissions, i.e. emissions of SF₆ in the industrial sites concerned;
- direct and indirect emissions associated with energy use of industrial and logistics sites and largest tertiary sites (electricity, gas, fuel, diesel, urban heating);
- indirect emissions, related to long distance freight.

The emissions associated with these activities are converted into CO₂:

- 23,900 kg of CO₂ per 1 kg of SF₆ (source: International Energy Agency - IEA);
- Energy/CO₂ ratios of the IEA. Figures are taken for the *One* business program period from 2009 to 2011. These conversion factors can be global (gas, fuel, diesel) or national (electricity, urban heating).



In 2011, this scope was extended: the number of sites reporting their energy use increased from 255 sites in 2010 to 281 in 2011.

The indicator compares the equivalent CO₂ volume released in year n with the equivalent CO₂ volume that the Group would have released on a comparable basis without making any effort to cut its emissions. For instance, the effort made to make the industrial processes safe that use SF₆ enabled the leakage rates of SF₆ to be cut in year n compared with year n-1; without this effort, it is considered that the leakage rates would have been equivalent in year n and in year n-1.

The two first indicator components above were audited by Ernst & Young. The indicator was not audited because the comparison of energy use over two years, to calculate a cut in emissions, requires temperature variations to be neutralised on a comparable basis, which we are not yet in a position to calculate precisely. A program to connect Schneider Electric's largest sites to the advanced energy monitoring solutions is anticipated within the scope of the Company Program 2012-2014 as a result of the recent acquisitions of Summit Energy and Vizella.

2/3 of our products revenues achieved with Green Premium products

A Green Premium product is defined by the following four criteria:

- an Environmental Product Profile available online;
- an end-of-life instruction manual available online;
- the list of substances of concern according to the European Directive REACH available online;
- the observance of the thresholds imposed by the RoHS EU Directive on hazardous substances.

In 2009-2011, the indicator measured the share of sales made with a Green Premium offer from sales figures for 2008 for Industry, LifeSpace EMEAS and Power offers. Coverage was around 50% of product sales (EUR 5.3 billion). Global and adapted references were taken into account. From 2012, the indicator will include sales from Buildings, IT and Life Space APAC and the reference year will be updated (approximately EUR 9 billion).

This indicator was audited by Ernst & Young.

2/3 of our employees work on ISO 14001 certified sites

ISO 14001 is an international standard certifying the environmental management systems of sites.

The sites purchased in 2010 after the purchase of the Areva Distribution business were not included in 2010. However, Areva D was able to be included in the indicator calculation for 2011. The sites purchased in 2011 after the takeovers of Telvent and Luminous were not included in 2011.

The indicator's denominator recognises those under contract with Schneider Electric (fixed-term and permanent contracts) and temporary staff (all of the Group employees) and its numerator those under contract with Schneider Electric (fixed-term and permanent contracts), the temporary staff and subcontractors from the ISO 14001 certified sites. The indicator is thus increased.

This indicator was audited by Ernst & Young.

Exceeding the Group's growth by 7 points per year with our energy efficiency activities

The energy efficiency activities are products, services and solutions sold by the Group contributing to at least one of the four stages

of active energy efficiency (measure, optimise, monitor, improve). Their choice in the Group's offer is validated in Executive Committee.

The 2011 exchange rate is applied to sales achieved in 2010 to calculate the growth in sales of the Group and energy efficiency activities untouched by exchange rate effect. This method is also used by Schneider Electric to publish its growth figures. This restatement is achieved each year identically over the entire period of the Company's *One* program (2009-2011).

The turnover achieved by the Areva Distribution business, purchased by the Group in 2010, was not included in the 2010 result. However, it is included in 2011.

Quarterly sales are calculated year to date over the year: the sales from the first quarter of the year are compared with sales from the first quarter of the previous year, then the sales of the first two quarters of the year are compared with the sales of the first two quarters of the previous year, and so on. The sales figures are reset to 0 on January 1.

This indicator was audited by Ernst & Young.

Implement a recovery process for SF₆ gas in 10 countries

SF₆ is one of the six greenhouse gases targeted by the Kyoto Protocol.

A SF₆ recovery process is characterised by:

- the existence of a technical recovery solution and disposal or recycling of SF₆;
- the existence of a commercial recovery offer for equipment containing SF₆ which are at their end-of-life;
- the recovery and processing of equipment.

1,000,000 households at the Base of the Pyramid have access to energy thanks to Schneider Electric solutions

Households at the base of the pyramid taken into account by this indicator are those that have incomes under USD3,000 per annum in purchasing power parity.

The indicator measures the sales of prepayment meters sold by Conlog, a subsidiary of Schneider Electric, to electrical distribution companies in Africa, enabling households to connect to the grid who were not able to do so previously. A drop of 20% to this figure is applied to remove the new connections due to new housing constructions for households not belonging to the base of the pyramid.

Make 60% of our purchases from suppliers who support the Global Compact

The Global Compact is a United Nations initiative aimed at involving businesses in observing the ten universal principles, in the areas of human rights, labour, environment and anti-corruption.

Businesses which support the Global Compact publicly undertake with the United Nations to constantly improve their actions in favour of the ten Principles and to annually communicate the efforts made during the year.

This indicator measures the share of the volume of purchases from suppliers listed by Schneider Electric, along with those who support the Global Compact or equivalent. For electronic businesses, the Electronic Industry Code of Conduct (EICC) is considered as equivalent to the Global Compact and is incorporated as such into the indicator. Taiwan is not recognised by the United Nations, Taiwanese businesses must send Schneider Electric a letter of

commitment signed by their PDG in order to be included in the indicator. This is the same for companies with less than 10 people who cannot commit to the Global Compact. The indicator is calculated on a comparable basis.

This indicator was audited by Ernst & Young.

Four major ethical stock indexes select Schneider Electric

The indicator measures the presence of Schneider Electric in the following four ethical stock market indices:

- the Dow Jones Sustainability Index (DJSI) World;
- the Dow Jones Sustainability Index (DJSI) Europe;
- the Advanced Sustainable Performance Index (ASPI) Eurozone;
- the FTSE4Good.

This indicator was audited by Ernst & Young.

Decrease by 10% annually the frequency of accidents at work

The lost time injury frequency rate corresponds to the number of accidents resulting in more than one day of lost work over a period of twelve months per millions hours worked. All accidents reported on Schneider Electric sites are counted (including therefore accident affecting subcontractors on site and temporary workers).

This indicator was audited by Ernst & Young.

14 points increase in the Company's employee recommendation score

This indicator measures the results of quarterly surveys from all of the Group's employees (those on fixed-term contracts – including work-study participants – and on permanent contracts). The Employee Net Promoter Score is measured with the question: "To what extent would you recommend Schneider Electric to your friends as being a business where it is pleasant to work?". Polls are considered as "in favour of", "undecided" or "against", depending on the rating they select on a scale from 0 to 10 (against from 0 to 6, undecided from 7 to 8, in favour of from 9 to 10). The indicator measures the difference between those who are for and those who are against. This methodology is also used for the Customer Net Promoter Score.

This indicator was audited by Ernst & Young.

2,000 employees trained on energy management solutions

The indicator counts the employees haven taken one of the internal or external training courses aimed at training specialists in energy management:

- a generalist training on energy efficiency (in-class and e-learning). The CEM certification program (Certified Energy Manager) issued by an external certification body is accepted as equivalent and included in the indicator;
- a training path including a general phase on energy efficiency, then a specialisation phase (marketing, sales, customer projects management, etc.) requiring functional skills, a knowledge of solution segments and experience with customers.

In 2009, the indicator counted solely employees taking part in the courses offered.

This indicator was audited by Ernst & Young.

10,000 young adults at the base of the pyramid trained in the energy management professions

Young adults from the base of the pyramid taken into account by this indicator are those that come from a household with an income under USD 3,000 per annum in purchasing power parity.

The indicator counts students undergoing training by Schneider Electric (supplying equipment or equipment with added technical and teaching expertise).

A student is only counted once in the indicator.

This indicator was subject to a dry-run audit by Ernst & Young.

500 entrepreneurs from the Base of the Pyramid start their own business in the area of energy management

Entrepreneurs from the base of the pyramid are people with no access to the banking system and traditional credit organisations to finance the creation of their business.

The indicator counts people creating their business in the area of energy management (electricians, small fitters, etc.) who avail themselves of microcredit and support in business creation and management by a specialised association financed by Schneider Electric. Schneider Electric also offers support to its vendors including in particular equipment and technical and marketing support.

An entrepreneur is only counted once in the indicator.

6.2 Concordance of our indicators with the NRE Act (New Economic Regulations, France) and article 225 of the Grenelle 2 Act

Concordance Table with the NRE Act

The new economic regulations act (Article 116) requires French listed companies to give an account of the social and environmental management of their business in their annual report. The table below indicates the numbers of the pages in this report in which the various indicators are mentioned.

Article 148-2 of the implementing order Social information		Pages
1.1.a	Total staff, fixed-term/permanent contracts, recruitment, layoffs and grounds, overtime, labour from outside the Company	100
1.1.b	Cutting staff and job saving, regarding reorientation efforts, re-employment and supporting measures	88-89
1.2	Work schedule, total hours for full-time and part-time employees, absenteeism and grounds	1999 ARTT Agreement
1.3	Remuneration and development, social charges, application of the provisions of Title IV of Book IV of the French Labour Code, gender equality	76-78, 124-132
1.4	Professional relations and statement of collective agreements	79-80, 103
1.5	Health and safety conditions	71-72, 103
1.6	Training	74-75, 104
1.7	Employment and integration of disabled persons	77-78
1.8	Social works	79-80, 103
1.9	Size of subcontracting	56-57, 100
Article 148-3 of the implementing order Environmental information		Pages
2.1	Water, raw materials and energy use. Steps taken to improve energy efficiency, use of renewable energy, conditions of land use, airborne, water borne and soil borne releases, noise, odour and waste pollution	60-69, 98-99
2.2	Steps taken to restrict harm to biological balance, to natural environments, to protected animal and plant species	68-69
2.3	Evaluation approaches or company environment certification	67, 98
2.4	Steps taken to ensure the Company business conforms to the applicable laws and regulations	36-37, 65-66
2.5	Expenses incurred to prevent the consequences of the Company business on the environment	63
2.6	Internal department for environment management, training and informing employees about them, the resources devoted to environment risk reduction, organisation and set up to contend with accidental pollution with an impact beyond the sites	60-69
2.7	Amount of provisions and cover for environmental risks except if this is likely to cause serious harm to the Company in a pending litigation	37
2.8	Amount of compensation paid out during the financial year implementing an environmental court decision and cases brought for damages caused to the environment	39-40
2.9	All the items on the objectives that the Company assigns to its subsidiaries abroad on points 1-6 above	60-69, 98-99



Concordance Table Article 225 of the Grenelle 2 Act

This article extends the requirement of listed and non-listed French companies to give an account of the social and environmental management of their business in their annual report. Although its implementing order was not published when this current report was being drafted, Schneider Electric had prepared a response. The table below indicates the numbers of the pages of the report in which the various indicators are mentioned.

1° Social information	Pages
a) Employment	
Total workforce and breakdown of employees by sex, age and region	100-103
Hiring and layoffs	100-102
Remuneration and its development	124-132
b) Organisation of work	
Organisation of working time	100
Absenteeism	103
c) Social relations	
Organisation of social dialogue – particularly information and personnel consultation procedures and personnel negotiation procedures	79-80
List of collective agreements	103
d) Health and safety	
Health and safety conditions in the workplace	71-72
List of agreements signed with unions or staff representatives regarding health and safety in the workplace	103
Work accidents, particularly their frequency and their seriousness...	103
as well as occupational illnesses	103
e) Training	
Training policies implemented	74-75
Total number of training hours	104
f) Equality of treatment	
Measures taken towards gender equality	76-78, 101
Measures taken towards employment and involvement of persons with disabilities	77-78
Anti-discrimination policy	76-78
g) Promotion and respect of the provisions of the International Work Organisation's fundamental agreements relating to:	
Respect of the freedom of association and the right to collective bargaining,	
Eradication of discrimination in employment and profession,	
Eradication of forced or obligatory labour,	
Effective abolition of child labour.	44, 47

2° Environmental information

a) General environmental policy

Organisation of the company to take into account environmental questions and, when necessary, environmental evaluation or certification approaches	61-67
Employee training and information actions regarding environmental protection	104, 58, Intranet Environment
Environmental risk and pollution prevention means	69
Amount of provisions and cover for environmental risks except if this is likely to cause serious harm to the Company in a pending litigation	37

b) Pollution and waste management

Measures for prevention, reduction or repair of emissions in the air, water and ground with serious environmental effects	68, 98
Measures for prevention, recycling and removal of waste	68, 98
Consideration of noise pollution and any other form of pollution specific to an activity	69

c) Sustainable use of resources

Water consumption and supply according to local constraints	67, 98
Raw material consumption and measures taken to improve the efficiency of their use	68
Energy consumption and the measures taken to improve energy efficiency and the use of renewable energies	62-64, 98
Land use	68

d) Climate change

Greenhouse gas emissions	61-62, 99
Adaptation to the consequences of climate change	60-64, 67-69, CDP

e) Biodiversity protection

Measures taken to preserve or develop biodiversity	68-69, 65, 50
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3° Information relating to societal commitments in sustainable development

a) Territorial, economic and social impact of the company's activity

Regarding employment and regional development	82-84, 88-89
On bordering or local populations	81-85, 89

b) Relations with the persons or organisations involved in the company's activity, particularly involvement organisations, teaching establishments, environmental defence organisations, consumer associations and bordering populations

Conditions of dialogue with these persons or organisations	45
Partnership or sponsorship actions	85-88

c) Subcontracting and suppliers

Consideration within the company's purchasing policy of social and environmental issues	56-57
The importance of subcontracting and the consideration within relations with subcontractors and suppliers of their social and environmental responsibility	56-57

d) Loyalty of practices

Anti-corruption actions taken	59
Measures taken towards consumer health and safety	21, 64-67

e) Other actions taken towards human rights, within the scope of this third indicator

44



6.3 Statutory Auditors' Report

Year ended December 31, 2011

Statutory auditors' report on a selection of environmental, safety, Human Resources and Planet & Society Barometer indicators

To the Shareholders,

Further to your request and as statutory auditors of Schneider Electric, we have performed a review allowing us to express limited assurance that the 29 indicators regarding environment, safety, human resources and Planet & Society Barometer for the 2011 fiscal year, identified with the ▲ symbol in the tables presented on pages 46, 52, 60, 70 et 98 to 105 of the annual report ("the Indicators"), have been prepared, in all material respects, in accordance with Schneider Electric 2011 reporting guidelines ("the Guidelines"), summarized on pages 90 to 92.

It is the responsibility of Schneider Electric's management team to prepare the Indicators, draw up the Guidelines and ensure that the Guidelines are available for consultation at the group's head office.

Our responsibility is to express a conclusion on the Indicators, based on our review. Our review was carried out in accordance with the international standard ISAE 3000 (International Standard on Assurance Engagement, December 2003). Our independence is defined by the legislative and statutory texts as well as the ethics code of the profession.

The conclusion formulated below concerns only the specified Indicators and not the entire sustainability report included in the annual report. A higher level of assurance would have required more extensive work.

Nature and scope of our review

In order to be able to express our conclusion on the Indicators, we performed the following review:

- We conducted interviews with the persons responsible for the reporting on these Indicators as well as a risk and materiality analysis at Group level. For EMEAS and North America regions, extended works were performed on safety Indicators.
- We also assessed compliance with the Guidelines and performed analytical procedures and consistency checks, as well as verified, based on sample surveys, data processing for the calculation of the Indicators and their aggregation.
- We selected a sample of five operational sites⁽¹⁾ according to their activities, their geographic locations, their contribution to the group's Indicators and the results of prior risk analyses.
- The selected sites represent on average 6% of the total value of the Indicators (from 2% to 35% depending on the Indicators⁽²⁾). At the selected sites level, we verified the understanding and application of the Guidelines, and verified, on a test basis, compliance with the calculation formula and reconciliation with supporting documents.
- We reviewed the presentation of the Indicators in the annual report on pages 46 to 80 and 98 to 105.

In view of the work carried out over the last seven years, we consider that our verification work concerning the Indicators provide a sufficient basis on which to formulate our conclusion, presented hereafter.

(1) Spain (MESA site, Mungia) ; China (sites of SAS, Suzhou and SBMLV, Beijing) ; Mexico (site of Monterrey 3) ; USA (site of Pelco, Clovis, California).

(2) 4% of energy consumption, 6% of water consumption, 5% of VOC emissions, 3% of waste production, 2% of recovered waste, 35% of SF₆ leaks ; 7% of frequency rate and severity rate, 3% of salaried headcount, 4% of environmental headcount, 5% of average temporary workers, 3% of training hours.

Information and comments

Regarding the reporting Guidelines defined by Schneider Electric for the selected data, we wish to make the following comments:

- Specific attention has been provided to the traceability of changes in the reporting perimeter of operational units.
- Verification procedures implemented by the Group have been precised. At Group, sites and operational units' levels, the implementation of controls to be performed could be reinforced on all security data as well as on the "SF₆ leaks" and "VOC emissions" indicators.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Indicators were not established, in all material respects, in accordance with the Guidelines.

Paris La Défense, March 20, 2012

French original signed by
The Statutory Auditors

Ernst & Young et Autres
Yvon SALAÜN

Ernst & Young
Environment and Sustainable Development
Éric DUVAUD



> 7. Indicators

7.1 Environmental indicators

The indicators hereafter have a Group scope. They illustrate our industrial and logistics sites' environmental consumption, emission, and waste in addition to certain major tertiary sites.

Schneider Electric provides readers two pieces of information so that environmental performance can be compared from one year to another :

- one part publishing constant scope indicators;

- and another part publishing indicators per employee to correct the changes in the company's activities. The sites' workforce includes Schneider Electric employees (Fixed-term, Permanent, Work-study participants), temporary staff, and on-site subcontractors.

The table below indicates how the indicators correspond with the Global Reporting Initiative.

Comments on the indicators are included in the corresponding chapters.

ISO 14001 certification of sites

	2011	2010	2009
Number of ISO 14001 Certified Sites	273 ▲	251	244
Industrial and Logistics sites	253	236	233
Tertiary Sites	20	15	11
New Sites Certified this Year	36	22	25
Certified Sites that have Closed or Consolidated this Year	14	15	8

▲ 2011 Audited Indicator.

Group sites consumption, emissions, and waste

GRI	Indicators	Current Scope			Constant Scope	
		2011	2010	2009	2011	2010
	Number of Participating Sites	281 ▲	255	240	244	244
	Number of Employees	102,991 ▲	87,371	78,078	90,257	86,045
EN22	Amount of Waste Produced (in metric tonnes)	135,392 ▲	113,684	101,535	118,427	118,001
EN22	Waste Produced per Employee (in metric tonnes/p)	1.3 ▲	1.3	1.3	1.3	1.4
EN22	Recovered Waste (in metric tonnes)	112,611 ▲	95,092	80,255	99,561	96,836
EN22	Percentage of Waste Recovered	83% ▲	84%	79%	84%	82%
EN8	Water Consumption (m ³)	2,863,934 ▲	2,664,824	2,493,351	2,603,318	2,659,468
EN8	Water Consumption/employee (m ³ /p)	27.8 ▲	30.5	31.9	28.8	30.9
EN19-20	VOC Emissions (in kg) (estimates)	451,154 ▲	461,499	409,219	441,467	530,170
EN19-20	VOC Emissions per Employee (kg/p) (estimates)	4.4 ▲	5.3	5.2	4.6	6.2
EN3	Energy Consumption (MWh equivalent)	1,204,580 ▲	1,186,864	1,066,173	1,116,270	1,178,478
EN4	Electricity (indirect consumption)	839,991	790,829	711,815	UP	UP
EN4	Heating (indirect consumption)	31,074	32,231	27,899	UP	UP
EN3	Fuel Oil (direct consumption)	21,366	28,128	28,926	UP	UP
EN3	Gas (direct consumption)	307,705	331,010	292,917	UP	UP

GRI	Indicators	Current Scope			Constant Scope	
		2011	2010	2009	2011	2010
EN3	Coal (direct consumption)	4,432	4,641	4,594	UP	UP
EN3	Renewable Energy (direct consumption)	11	25	22	UP	UP
EN5	Energy consumption per employee (MWh)	11.7 ▲	13.6	13.7	12.4	13.7
EN16	CO ₂ emissions linked to energy consumption (in metric tonnes) (estimates)*	430,191 ▲	411,177	357,513	400,280	407,224
EN17	Electricity (indirect emission)	348,316	323,429	278,809	UP	UP
EN17	Heating (indirect emission)	11,728	10,995	9,570	UP	UP
EN16	Fuel Oil (direct emission)	5,555	7,313	7,520	UP	UP
EN16	Gas (direct emission)	63,080	67,857	60,048	UP	UP
EN16	Coal (direct emission)	1,511	1,583	1,566	UP	UP
EN16	Renewable Energy	0	0	0	UP	UP
EN16	CO ₂ /Employee (in metric tonnes/person)	4.2 ▲	4.7	4.6	4.4	4.7
EN16	SF ₆ Emissions (in CO ₂ equivalent metric tonnes)**	52,542 ▲	60,491	135,895	49,661	93,761
EN16	Direct and Indirect CO ₂ Emissions (SF ₆ energy consumption and emissions in metric tonnes)	482,733 ▲	471,668	493,408	449,941	500,985

▲ 2011 Audited Indicators

UP = Unpublished

* The CO₂ emissions linked to energy consumption are considered estimates, because the indirect emissions are calculated on the conversion factors per country.

** 9 sites used in 2009 and 2010, 17 sites in 2011 with the acquisition of Areva D, 15 sites for the constant scope calculations. Constant scope emissions are not corrected from activity level.

Intensity indicators

The intensity ratios by workforce above only cover the scope of reporting sites. According to the 2012 carbon footprint, on the whole scopes 1 and 2 as per the GHG Protocol, the ratio of CO₂ emissions/workforce at the Group level is estimated at 4.6.

The ratio of CO₂ emissions/million of euros of turnover is: 29.1.



7.2 Social indicators

The indicators below have a Group scope. They cover 100% of the workforce from integrated companies (see rules page 90). Certain indicators cover 80% of workforce; they are indicated by the footnotes at the bottom of the page. To respond to the French NRE, some indicators are given for France only. The precisions on the variations of scope are contributed at the end of the tables below and indicated by footer notes.

The social indicators count the people with fixed-term contracts, on work-experience and on permanent contracts. The indicators that also include temporary workers and/or subcontractors on site are indicated by footer notes.

The comments on the indicators are given in the matching chapters and indicated in the tables below.

The table below indicates the matching of indicators with the Global Reporting Initiative.

Workforce

GRI	Indicators	2011	2010	2009
	Workforce			
LA1	Average workforce ⁽⁴⁾	140,489	123,482	116,065
	Of which production ⁽⁴⁾	70,609	61,913	55,125
	Of which structure ⁽⁴⁾	69,580	61,569	60,940
LA1	Average supplementary workforce	13,924 ▲	12,049	8,463
LA1	Fixed-term contract and permanent contract personnel ⁽⁵⁾	137,535 ▲	118,819	104,853
	Of which permanent contract	87.4%	88.4%	UA
	Of which fixed-term contract	12.7%	11.6%	UA
LA1	Share of temporary personnel (supplementary and fixed-term contracts) ⁽⁶⁾	20.5%	20.8%	18.9%
LA1	Organisation of working time ⁽³⁾			
	Full-time	97.9%	NP	NP
	Part-time	2.1%	NP	NP
LA1	Hiring ⁽⁶⁾	19,792 ▲	17,590	8,977
LA1	Departures ⁽⁶⁾	16,362	14,968	17,663
	Of which layoffs	3,887 ▲	3,976	6,331
	Of which resignations	7,558	NP	NP
	Others (retirement, end of contract, etc.)	4,917	NP	NP
LA1	Voluntary turnover	6% ▲	7%	5%
LA1	Breakdown of workforce by region ⁽⁵⁾			
	Asia-Pacific	31%	27%	25%
	Europe	39%	42%	43%
	North America	21%	22%	24%
	Rest of the world	9%	9%	8%
LA1	Breakdown of workforce by country (the most significant countries) ⁽⁶⁾			
	France	13%	17%	18%
	United States of America	12%	15%	17%
	China	10%	10%	10%
	India	8%	6%	5%
	Mexico	5%	6%	6%
	Spain	4%	3%	3%
	Germany	3%	4%	3%
	Brazil	3%	3%	2%
	Australia	3%	3%	3%

GRI	Indicators	2011	2010	2009
	Indonesia	2%	NP	NP
	United Kingdom	2%	3%	3%
	Russia	2%	3%	3%
LA1	Annual change in workforce by country (the most significant countries) ⁽⁵⁾			
	France	- 2%	+ 9%	- 6%
	United States of America	+ 9%	- 1%	- 10%
	China	+ 29%	+ 24%	- 9%
	India	+ 88%	+ 38%	+ 2%
	Mexico	+ 5%	+ 14%	- 16%
	Spain	+ 74%	+ 6%	- 20%
	Germany	+ 2%	+ 57%	- 8%
	Brazil	+ 38%	+ 40%	+ 16%
	Australia	+ 22%	+ 2%	- 13%
	United Kingdom	+ 8%	+ 11%	- 11%
	Russia	- 1%	+ 6%	- 20%
LA13	Breakdown of workforce by gender ⁽²⁾			
	Men	68% ▲	66%	66%
	Women	32% ▲	34%	34%
LA13	Breakdown of workforce by gender and by category ⁽²⁾			
	White collar	54.5%	53.6%	54.6%
	Men	72%	71%	72%
	Women	28%	29%	28%
	Blue collar	45.5%	46.4%	45.4%
	Men**	64%	60%	60%
	Women	36%	40%	40%
LA13	Breakdown of workforce by age ⁽²⁾			
	14/24 years	9.7%	8.7%	7.9%
	25/34 years	32.7%	31.4%	30.7%
	35/44 years	36.4%	27.5%	27.9%
	45/54 years	21.2%	22.3%	23.3%
	55/64 years	9.6%	9.7%	9.8%
	> 64 years	0.4%	0.4%	0.5%
LA1	Breakdown of workforce by seniority ⁽²⁾			
	< 5 years	44.2%	43.9%	44.7%
	5/14 years	29.9%	30.4%	29.2%
	15/24 years	13.8%	13.7%	13.9%
	25/34 years	8.8%	8.6%	9%
	> 34 years	3.3%	3.4%	3.2%
LA1	Breakdown of workforce by function			
	Marketing	3.8%	3.8%	3.9%
	Sales	12%	14.9%	17.2%
	Services and projects**	15%	12.9%	9.5%
	Support	19.2%	16.8%	16.3%
	Technical	8.4%	7.6%	7.2%
	Industrial	6.4%	6.6%	7.6%
LA1	Direct variable costs* (cost of employees under production or business costs)	45.4%	46.4%	45.4%



GRI	Indicators	2011	2010	2009
	Workforce (France)			
LA1	Spot workforce	19,947	20,311	18,698
LA1	Number of hires	1,228	793	379
LA1	Number of departures	1,531	1,228	1,330
LA1	Breakdown by type of contract			
	Permanent contract	94.7%	95.6%	96.6%
	Fixed-term contract	5.3%	4.4%	3.4%
LA1	Breakdown by occupational category			
	Manual workers	28.6%	30.2%	31.1%
	Foremen	1.2%	1.3%	1.3%
	Administrators and technicians	30.7%	31.9%	32.0%
	Engineers and executives	35.1%	32.7%	32.7%
	Work experience	4.4%	3.9%	2.9%
LA13	Breakdown by gender ⁽⁷⁾			
	Men	68.4%	66.8%	66.2%
	Women	31.6%	33.2%	33.8%
	Hiring ⁽⁶⁾			
LA2	Breakdown by type of contract			
	Permanent contract	61.2%	58.5%	56.6%
	Fixed-term contract	38.8%	41.5%	43.4%
LA2	Breakdown by category			
	White collar	51.3%	41.1%	40%
	Blue collar	48.7%	58.9%	60%
LA2	Breakdown by Region			
	Asia-Pacific	47%	45%	43%
	Europe	23%	20%	20%
	North America	17%	12%	13%
	Rest of the world	13%	23%	24%
	Layoffs ⁽⁶⁾			
LA2	Breakdown by type of contract			
	Permanent contract	81%	75%	91%
	Fixed-term contract	19%	25%	9%
LA2	Breakdown by category			
	White collar	45%	39%	44%
	Blue collar	55%	61%	56%
LA2	Breakdown by Region			
	Asia-Pacific	18%	11%	12%
	Europe	33%	31%	37%
	North America	27%	42%	40%
	Rest of the world	23%	16%	11%
	Resignations ⁽⁶⁾			
LA2	Breakdown by seniority ⁽²⁾			
	< 1 year	35.8%	33.8%	UA
	1/4 years	41.5%	45%	UA
	5/14 years	18.7%	18.1%	UA
	15/24 years	2.7%	2.2%	UA
	25/34 years	0.9%	0.7%	UA
	> 34 years	0.4%	0.2%	UA

GRI	Indicators	2011	2010	2009
	Average temporary workforce			
LA1	Breakdown by category			
	White collar	12.7%	12.5%	19.5%
	Blue collar	87.3%	87.5%	80.5%
LA1	Breakdown by Region			
	Asia-Pacific	56.9%	59.4%	61%
	Europe	32%	29.5%	24.2%
	North America	3.8%	7%	6%
	Rest of the world	7.3%	4.1%	8.8%
	Average temporary workforce (France)			
LA1	Total	2,779	2,202	1,190
	Breakdown by category			
	White collar	11%	10%	13%
	Blue collar	89%	90%	87%



Dialogue and social relations

	Dialogue and social relations			
LA4-6	Sites stating they benefit from employee representation ⁽²⁾			
	Unions	52.4%	60.6%	55.1%
	Works Council	56.5%	63.1%	63.5%
	Health and Safety Committee	81%	85.9%	83.1%
LA7	Number of collective agreements ⁽²⁾	316	261	UA

Health and safety of employees

	Health and safety of employees			
LA7	Number of accidents ⁽¹⁾	531	612	609
	of which Schneider Electric employees	434	507	544
	of which subcontractors	96	104	65
LA7	Number of fatal accidents	0	1	2
	of which Schneider Electric employees	0	1	UA
	of which subcontractors	0	0	UA
LA7	Frequency rate ⁽⁶⁾	2.06 ▲	2.51	3.06
	of which Schneider Electric employees	1.95	2.37	2.99
	of which subcontractors	2.62	3.50	3.11
LA7	Severity rate ⁽⁶⁾	0.06 ▲	0.06	0.08
	of which Schneider Electric employees	0.06	0.06	0.08
	of which subcontractors	0.04	0.05	0.08
LA7	Number of lost days	14,284 ▲	14,624	15,678
	of which Schneider Electric employees	12,815	13,007	14,574
	of which subcontractors	1,491	1,617	1,104
LA7	Number of hours worked	257,313,965 ▲	243,999,107	199,050,694
	of which Schneider Electric employees	222,211,425	214,588,490	182,034,089
	of which subcontractors	35,158,598	29,410,617	17,016,605
LA7	Medical Incident Rate ⁽⁶⁾	4.77 ▲	7.54	UA
	of which Schneider Electric employees	4.41	UA	UA
	of which subcontractors	7.01	UA	UA

Talent development and training

GRI	Indicators	2011	2010	2009
	Talent development and training			
LA10	Number of training hours ⁽²⁾	2,205,713 ▲	2,088,144	UA
LA10	Average hours of training per person ⁽²⁾	21.1	22.6	24.3
	White collar	27.2	30.8	28.9
	Blue collar	15	14.3	19.4
LA10	Breakdown of hours by category ⁽²⁾			
	White collar	64.3%	68.6%	61.8%
	Blue collar*	35.7%	31.4%	38.2%
LA10	Breakdown of hours by training type ⁽²⁾			
	Health, safety, environment	14.3%	11.9%	12.5%
	Technical	36.8%	32.7%	35.6%
	Languages, IT	16.6%	18.2%	17.7%
	Management and Leadership	12.4%	16.7%	15.1%
	Other	20%	20.6%	19.1%
LA10	Breakdown of costs by training type ⁽²⁾			
	Health, safety, environment	10.4%	11.8%	9.9%
	Technical	29.4%	43.2%	33.5%
	Languages, IT	15.8%	10.5%	14.9%
	Management and Leadership	18.8%	18.4%	26.2%
	Other	25.6%	16.1%	15.5%
LA10	Breakdown of costs by category ⁽²⁾			
	White collar	75.5%	68.0%	75.5%
	Blue collar	24.5%	32.0%	24.5%
	Talent development and training (France)			
LA10	Breakdown of costs by training type			
	Health, safety, environment	13%	11.8%	11.5%
	Technical	42.8%	16.7%	18.1%
	Languages, IT	17.3%	17.8%	7.1%
	Management and Leadership	13.7%	14.2%	25.6%
	Other	13.2%	9.9%	13.1%
LA10	Breakdown of costs by gender			
	Women	25.2%	27.2%	25.0%
	Men	74.8%	72.8%	75.0%
LA10	Breakdown of costs by category			
	Engineers and executives	48.9%	37.7%	45.6%
	Administrators, Technicians and Foremen	39.1%	39.1%	38.4%
	Manual workers	11.9%	23.2%	16.0%
LA12	Employees having had a performance interview ⁽³⁾	52%	46.7%	UA
	Employees having had a career interview ⁽³⁾	31.3%	32.0%	UA

(1) Includes business travel, excludes home/workplace travel. (2) The data covers more than 80% of the Group workforce at the end of October 2011 (annual survey); it does not include acquisitions integrated after this date. (3) The data relates to over 84% of the Group's workforce at December 31, 2011. (4) Temporary workforce included. (5) Based on spot workforce year end.

(6) Acquisitions/disposals and temporary staff are not taken into account in the calculation.

(7) The data relates to over 94% of the Group's workforce on French territory.

(8) FR = Number of accidents with lost days x 1,000,000/Number of hours worked.

SR = Number of lost days x 1,000/Number of hours worked.

MIR = Number of accidents requiring medical treatment x 1,000,000/Number of hours worked.

* Data includes service VDC headcount, or 23% of all VDC in 2011, 19% in 2010, 16% in 2009.

** Part of the VDC services on total workforce: 10.4% in 2011; 8.9% in 2010; 7.1% in 2009.

UA = Unavailable/UP = Unpublished

Blue collars are Schneider Electric employees whose costs impact directly on the completion of business. The VDC are variable direct costs. ▲ Audited 2011 indicators.

7.3 Societal indicators

The data below was consolidated for the first time in 2010. It is distributed based on declarative information submitted by Foundation delegates.

This information covers 80% of Schneider Electric employees.

It highlights the importance of company and employee participation in the Foundation's approach to involvement, as close to the local communities as possible.

Breakdown of the Foundation's financial commitments

	2011
FOUNDATION'S INTERVENTION BUDGET	4,000,000
Breakdown by program (<i>in %</i>)	
Training and opportunities for young adults	49%
Emergency and post-emergency	31%
Raising awareness about sustainable development	1%
Other (mainly involving employee/sponsorship expertise)	19%
Breakdown by region (<i>in %</i>)	
Africa & Caribbean	30%
America	10%
Asia	42%
Europe	18%

Breakdown of contributions from employees and Schneider Electric entities to the Foundation actions

	2011
Total financial contribution (<i>in euros</i>)	
From employees	1,181,714
Of the Schneider Electric entity	4,037,158
From partners	447,495
TOTAL	5,666,367
Financial contribution per region (<i>in %</i>)	
Africa & Caribbean	2%
America	65% *
Asia	30%
Europe	3%
DONATIONS IN PRODUCTS OR SERVICES FOR A PARTNER/PROJECT OF THE FOUNDATION (<i>IN EUROS</i>)	2,736,243
Number of employees involved in the Foundation's actions	28,129

* Of which Square D/Schneider Electric North America

Total budget for 2011 for the Foundation's actions

FOUNDATION BUDGET, FINANCIAL CONTRIBUTIONS AND DONATIONS IN KIND (<i>IN EUROS</i>)	12,402,610
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For more information

- www.schneider-electric.com (> sustainability)
- www.barometer.schneider-electric.com
- www.environment.schneider-electric.com
- www.foundation.schneider-electric.com

To contact us

Email: fr-developpement-durable@schneider-electric.com

Mail: Schneider Electric

Sustainable Development address – 35, rue Joseph Monier,
CS 30323–92506 Rueil-Malmaison Cedex, France



Statement GRI Application Level Check

GRI hereby states that **Schneider Electric SA** has presented its report "Registration Document 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 16 March 2012



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Schneider Electric SA has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.
www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 8 March 2012. GRI explicitly excludes the statement being applied to any later changes to such material.



Corporate governance

1. Supervisory Board**	108
2. Organisational and operating procedures of the Supervisory Board**	116
3. Supervisory Board meetings**	117
4. Supervisory Board committees (members, operating procedures and meetings)**	119
5. Management Board members	121
6. Organisational and operating procedures of the Management Board	123
7. Declarations concerning the situation of the members of the Supervisory Board and Management Board	123
8. Management interests and compensation	124
9. Regulated Agreements	132
10. Internal control and risk management**	133
11. Application of the AFEP/MEDEF corporate governance guidelines**	141

This report includes the Chairman's report on the application of the principle of equal representation of women and men on the Board, and the conditions applicable for the preparation and organisation of the work carried out by the Supervisory Board, and the internal control and risk management procedures implemented by the Company.

The sections below - Management Board/Supervisory Board system, 1, 2, 3, 4, 8 (Remuneration Policy for corporate officers and members of the Management Board and Pension Plans), 10 and 11, and Section 2 (Shareholder's Meeting and Voting Rights) and 7 of Chapter 7 - constitute the Chairman of the Supervisory Board's report provided for in article L.225-68 of the French Commercial Code. They are indicated with**.

A Management Board/Supervisory Board system**

The company applies the AFEP/MEDEF corporate governance guidelines. There are a few exceptions, which are described below (see Section 11).

The guidelines are available online at www.medef.fr.

At the Annual Shareholders' Meeting of May 3, 2006, shareholders approved a recommendation to adopt a two-tier management structure, with a Management Board and a Supervisory Board.

1. Supervisory Board**

The Supervisory Board must have at least three and up to 18 members, all of whom must be natural persons.

Throughout their term, Supervisory Board members must hold at least 250 Schneider Electric SA shares.

Supervisory Board members are elected for a four-year term and are eligible for re-election. However, the Annual Shareholders' Meeting of April 21, 2011 removed the age limit of 74 years for membership and it was decided that members who are 70 years old may be re-elected or appointed for a period of two years. No more than one third of the members of the Supervisory Board may be over 70 years old.

The Supervisory Board has 14 members and one non-voting member.

There are 12 independent members according to the definition contained in the AFEP/MEDEF corporate governance guidelines for listed companies: Mr Léo Apotheker, Mrs Betsy Atkins, Mr Gérard de La Martinière, Mr Xavier Fontanet, Mr Noël Forgeard, Mr Jérôme Gallot, Mr Jeong Kim, Mr Willy R. Kissling, Mrs Cathy Kopp, Mrs Dominique Sénéquier, Mr G. Richard Thoman and Mr Serge Weinberg. Each year, the Supervisory Board includes an item on the agenda to review the status of its members, based on a report from the Remunerations, Appointments and Human Resources Committee. Members' directorships and functions in other companies that have business relations with Schneider Electric do not, by their nature, affect the said members' independence in light of the types of transactions involved. These transactions are carried out on arms-length terms and are not material for either party. Moreover, as regards Mr de La Martinière, who has been a Director or member of the Schneider Electric SA Board for more than 12 years, his seniority is not considered as a hindrance to his independence due notably to his personality and involvement in the work and discussions on the operation of the Audit Committees.

Five members do not have French nationality: (American Mrs Atkins, Messrs Kim and Richard Thoman; German: Mr Apotheker, and Swiss: Mr Kissling).

One member, Mr Claude Briquet, represents the employee shareholders in accordance with article L.225-71 of the French Commercial Code. He was nominated by the Shareholders' Meeting, on the recommendation of the Supervisory Boards of the FCPs.

The average age of the Supervisory Board members is 61.

The appointments of seven members of the Board are due to expire. These are the appointments of Messrs Léo Apotheker, Xavier Fontanet, Jérôme Gallot, Willy Kissling, Henri Lachmann and G. Richard Thoman as well as the appointment of Mr Claude Briquet who was elected by the Annual Shareholders' Meeting in accordance with article 11 - c of the articles of association from a list of candidates nominated by the employee shareholders.

In view of the major changes made in composition of the Board in 2011 with the addition of Mrs Betsy Atkins, Mr Jeong Kim, Mrs Dominique Sénéquier and Mr Xavier Fontanet who was co-opted to replace Mr Anand Mahindra, the Shareholders' Meeting is asked to renew the appointments of:

- Messrs Kissling, Lachmann, and Richard Thoman for a two year period, in view of the new provisions in the articles of association;
- Messrs Apotheker, Gallot and Fontanet for a four year period. The Annual Shareholders' Meeting will also have to ratify the co-opting of Mr Fontanet.

With regard to the Board member representing employee shareholders, the Supervisory Board recommends that shareholders vote for Mrs Magali Herbault whose profile and professional career fit the objectives of female quotas, rejuvenation and internationalisation, as set by the Supervisory Board regarding its composition.

Supervisory Board (as of December 31, 2011)

Chairman of the Supervisory Board

Mr Henri Lachmann

Age: 73
Business address:
Schneider Electric
35, rue Joseph Monier – 92500 Rueil-Malmaison - France
60,143 ⁽¹⁾ Schneider Electric SA shares
First appointed: 1996/Term ends: 2012

Directorships and other functions

- Currently:
Chairman of the Supervisory Board of **Schneider Electric SA**;
Vice-Chairman of the Supervisory Board of **Vivendi**; member of the Supervisory Board of **Groupe Norbert Dentressangle**; Director of **Carmat**; Non-voting Director of **Fimalac**; Chairman of the Board of Directors of Centre Chirurgical Marie Lannelongue; Chairman of *Fondation pour le Droit Continental*; member of the Steering Committee of *Institut de l'Entreprise*; Director of *Association Nationale des Sociétés par Actions*; Chairman of *Institut Télémaque*; Vice-Chairman and Treasurer of *Institut Montaigne*; Director of Planet Finance and *Fondation Entreprendre*, Chairman of the Advisory Council of *Campus d'Excellence au Commissariat Général à l'Investissement (Grand Emprunt)*.
- Previous directorships and functions held in the past five years:
Member of the Supervisory Board of **AXA** and AXA Assurances IARD Mutuelle; Director of **Finaxa**; Non-voting member of Tajan; member of CODICE; Director of *Solidarités Actives*.

Experience and qualifications

A graduate of *Hautes Études Commerciales* (HEC), Henri Lachmann began his career in 1963 with Arthur Andersen. In 1970, he joined *Compagnie Industrielle et Financière de Pompey*. In 1971 he became Executive Vice-President of *Financière Strafor* (later Strafor Facom), where from 1981 to 1997 he served as CEO. He was elected to the Schneider Electric SA Board of Directors in 1996 and was appointed Chairman on February 25, 1999. On May 3, 2006, he became Chairman of the Supervisory Board of Schneider Electric SA.

Vice-Chairman of the Supervisory Board

Mr Léo Apotheker*

Age: 58
Business address:
72, Ralston Road; Atherton, CA 94027, USA
500 Schneider Electric SA shares
First appointed: 2007/Term ends: 2012

Directorships and other functions

- Currently:
Vice-Chairman of the Supervisory Board of **Schneider Electric SA**;
Director of New E.A (USA); member of the Board and Strategy Committee of PlanetFinance.
- Previous directorships and functions held in the past five years:
CEO and President of **Hewlett-Packard**; member of the Board of Directors of **Hewlett-Packard**; CEO of **SAP AG**; Non-voting member of **Schneider Electric SA**; Director of Ginger SA, GTNexus (USA), SAP America Inc. (USA), SAP Global Marketing Inc. (USA), SAP Asia Pte. Ltd (Singapore), SAP Japan Co., Ltd (Japan), SAP France SA, SAP Italia Sistemi, Applicazioni, Prodotti in Data Processing SpA (Italy), SAP Hellas Systems Application and Data Processing SA (Greece), SAP (Beijing) Software System Co., Ltd, (China), SAP Manage Ltd (Israel), SAP Finland Oy (Finland) and SAP Danemark A/S (Denmark).

Experience and qualifications

Léo Apotheker began his career in 1978 in management control after graduating with a degree in international relations and economics from the Hebrew University in Jerusalem. He then held management and executive responsibilities in several IT firms including SAP France and SAP Belgium, where he was CEO between 1988 and 1991. Mr Apotheker was founding President and Chief Operating Officer of ECsoft. In 1995, he returned to SAP as Chairman of SAP France. After various appointments within SAP as Regional Director, he was appointed in 2002 as a member of the Executive Committee and President of Customer Solutions & Operations, then in 2007 as President CSO and Deputy CEO of SAP AG and in 2008 CEO of SAP AG. In 2010, he became CEO and President of Hewlett-Packard and served until Autumn 2011.

Nota: in bold type, those companies are listed on a regulated market.

(1) Held directly or through the FCPE.

* An independent member of the Supervisory Board within the meaning of the AFEP/MEDEF code of corporate governance for listed companies.



Members of the Supervisory Board

Mrs Betsy Atkins*

Age: 58

Business address:

BAJACORP 10 Edgewater Drive, Ste 10A – Coral Gables, FL 33133

500 Schneider Electric SA shares

First appointed: 2011/Term ends: 2015

Directorships and other functions

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Member of the Board of Directors of **Chicos FAS Inc.** (USA), **Polycom Inc.** (USA), and **SunPower Corp** (USA); President of Vantrix (Canada); member of the Advisory Committee de **SAP** (Germany).
- Previous directorships and functions held in the past five years:
Director of **Towers Watson** (USA), **Reynolds American** (USA), **Vonage** (USA); President and CEO of Clear Standards, Inc. (USA).

Experience and qualifications

After graduating of the University of Massachusetts and Trinity College Oxford, Betsy Atkins began her career co-founding several successful high-tech and consumer companies including Ascend Communications. In addition, she served as CEO and Chairman of NCI from 1991 to 1993 and as CEO of Key Supercomputer from 1987 to 1989.

Mr Claude Briquet

Age: 51

Business address:

Schneider Electric Industries SAS

Boulevard Salvador Allende – Zone Industrielle – BP 660 – 16340 L'Isle d'Espagnac - France

4,302 ⁽¹⁾ Schneider Electric SA shares

First appointed: 2008/Term ends: 2012

Directorships and other functions

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Director of European Trading at Schneider Electric; member of the Supervisory Board of the Schneider France-Germany FCP; Director of the *Sicav Schneider Énergie* and *Sicav solidaire*.
- Previous directorships and functions held in the past five years:
Executive Vice-President of Alombard.

Experience and qualifications

An engineering graduate of *École Nationale d'Ingénieurs* in Tarbes and ENSEEIHT in Toulouse, Claude Briquet joined Schneider Electric in 1985. He began his career in the areas of development, quality and production. Mr Briquet managed the Pacy I plant from 1992 to 1996 and the Vaudreuil plant from 1996 to 1999. He was appointed Executive Vice-President of Mafelec in 1999 and of Alombard in 2001. Mr Briquet is currently responsible for trading in Europe within the Industry Department of Schneider Electric's European Operating Division.

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(1) Held directly or through the FCPE.

Mr Gérard de La Martinière*

Age: 68
Business address:
18, allée du Cloître – 78170 La Celle-Saint-Cloud - France
6,856 Schneider Electric SA shares
First appointed: 1998/Term ends: 2013

Directorships and other functions

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Director of **Air Liquide**; member of the Supervisory Board of European Financial Reporting Advisory Group “EFRAG” (a Belgian law association); Director of Standard & Poor’s Credit Market Services France SAS; Director of Allo Finance; Chairman of the Managing Committee of *Charte du Don en Confiance* (a charity within the meaning of the 1901 French law); member of the *Haut Conseil de la Vie Associative*.
- Previous directorships and functions held in the past five years:
Chairman of *Fédération Française des Sociétés d’Assurances* (FFSA) and Chairman of *Comité européen des Assurances* (CEA); Vice-Chairman of *Comité européen des Assurances* (CEA); member of the Supervisory Board of **Air Liquide**; Director of *Banque d’Orsay*.

Experience and qualifications

A graduate of *École Polytechnique* and *École Nationale d’Administration*, Gérard de La Martinière held several positions in the French Finance Ministry before serving as Secretary General of *Commission des Opérations de Bourse* and General Manager of *Société des Bourses Françaises*. In 1989, he joined AXA, where he was appointed Executive Vice-President for Holding Companies and Corporate Functions in 1993, member of the Management Board in 1997 and Executive Vice-President of Finance, Budget Control and Strategy in 2000. He left the AXA Group in 2003 to become Chairman of the *Fédération Française des Sociétés d’Assurances* (FFSA), a post he held until September 2008.

Mr Xavier Fontanet*

Age: 63
Business address:
3, rue Charles Lamoureux – 75016 Paris - France
First appointed: 2011/Term ends: 2016

Directorships and other functions

- Currently**:
Member of the Supervisory Board of **Schneider Electric SA**;
Director of **Essilor**, **L’Oréal** and **Crédit Agricole SA**.
- Previous directorships and functions held in the past five years:
CEO of **Essilor International**; Chairman of the Board of Directors of **Essilor International** Director of the *Fonds Stratégique d’Investissement* (FSI); President of EOA Holding Co. Inc. (USA), Nikon and Essilor Joint Research Center Co Ltd (Japan); Director of Nikon-Essilor Co. Ltd (Japan), Nikon and Essilor Joint Research Center Co Ltd (Japan), Essilor of America Inc. (USA), Transitions Optical Inc. (USA), EOA Holding Co, Inc. (USA), Shanghai Essilor Optical Company Ltd (China), Transitions Optical Holdings B.V. (Netherlands), Essilor Manufacturing India Private Ltd (India), Essilor India PVT Ltd (India), Essilor Amico L.L.C. (United Arab Emirates); Permanent representative of Essilor International on the Board of Directors of the *Association Nationale des Sociétés par Actions* (Ansa)

Experience and qualifications

A graduate of the *École Nationale des Ponts et Chaussées* and Massachusetts Institute of Technology, Xavier Fontanet began his career as a Vice-President at the Boston Consulting Group. He was General Manager for Bénéteau beginning in 1981. Between 1986 and 1991, he was in charge of central management of catering for the *Wagons-Lits* group. In 1991, he joined Essilor as Executive Vice-President and then served as CEO from 1996 to 2009 and Chairman of the Board of Directors until the beginning of 2012.

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** Situation as of January 2, 2012.



Mr Noël Forgeard*

Age: 65

Business address:

84, avenue d'Iena – 75016 Paris - France

500 Schneider Electric SA shares

First appointed: 2005/Term ends: 2014

Directorships and other functions

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Senior Partner at Arjil SAS; member of the Committee of *France Galop*; Director of the PMU Economic Interest Group.

Experience and qualifications

A graduate of *École Polytechnique* and *École des Mines*, Mr Noël Forgeard began his career in the French civil service before joining Usinor's subsidiary *Compagnie Française des Aciers Spéciaux*. In 1986, he served as an advisor on industrial issues in Prime Minister Jacques Chirac's office. In 1987, he joined the Lagardère Group, where he headed the Defense and Space divisions of **Matra**. Five years later, he became CEO of *Matra Haute Technologie* and joint Vice-President of the **Lagardère** Group. In 1998, he was appointed Director and general manager of GIE Airbus-Industrie, and in 2000, CEO of Airbus SAS (an Airbus consolidated company). From July 1, 2005 to July 1, 2006 he was co-Executive Chairman of EADS. In 2011 he joined Arjil SAS as a Senior Partner.

Mr Jerome Gallot*

Age: 52

Business address:

Veolia Transdev

17 bis, rue la Pérouse – 75016 Paris - France

500 Schneider Electric SA shares

First appointed: 2005/Term ends: 2012

Directorships and other functions

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Executive Vice-President of Veolia Transdev; member of the Management Committee of the CDC Group; Director of **Nexans SA**, Caixa Seguros SA (Brazilian subsidiary of CNP), **Plastic Omnium**; Non-voting member of **NRJ Group SA**.
- Previous directorships and functions held in the past five years:
Chairman of CDC Entreprises SAS, CDC Entreprises Elan PME, FSI PME Porfeuille, *Consolidation et Développement Gestion*; Manager of *Caisse des Dépôts et Consignations*; Director of *Crédit Foncier de France*, Galaxy Fund, Galaxy Management Services, *Caisse Nationale de Prévoyance (CNP Assurances SA)*; President of the Austral mutual fund; member of the Supervisory Board of *Compagnie Nationale du Rhône (CNR)*; Non-voting director of OSEO (EPIC); member of the Executive Committee of *Fonds Stratégique d'Investissement*; Director of **lcade SA**.

Experience and qualifications

Jérôme Gallot is a graduate of *Institut d'Études Politiques* in Paris and *École Nationale d'Administration*. After three years with the *Cour des Comptes*, he served as an advisor to the Secretary General of the interministerial committee for European economic cooperation, from 1989 to 1992, and then moved to the Budget Department. He was then Chief of Staff in a number of French ministries, from 1993 to 1997. In 1997, he was appointed Director of the Competition, Consumer Affairs and Anti-Fraud Division of the Ministry of Economy and Finance. He left this position in 2003 to become Senior Executive and member of the Management Board at *Caisse des Dépôts et Consignations*. He was appointed Chairman of CDC Entreprises and member of the Management Board of *Caisse des Dépôts* in September 2006. In January 2009, he was appointed member of the Executive Committee of *Fonds Stratégique d'Investissement*. In March 2011 he became Executive Vice-President of Veolia Transdev.

Mr Jeong H. Kim*

Age: 51

Business address:

Alcatel-Lucent: 600 Mountain Avenue, Room 6A-509 - Murray Hill, NJ 07974 – United States

500 Schneider Electric SA shares

First appointed: 2011/Term ends: 2015

Directorships and other functions

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
President of Bell Labs **Alcatel-Lucent**; Professor at the University of Maryland; member of the Board of Trustees at Johns Hopkins University; member of the Board of Directors of Georgetown; member of the Board of Visitors of the Stanford Freeman Spogli Institute; CEO of Jurie Holdings LLC; member of the Board of Managers of Applied Physics Lab; and Director of GIV Global Private Equity.
- Previous directorships and functions held in the past five years:
Member of the Board of Trustees at the University of Maryland, College Park Foundation and Bankinter Foundation of Innovation; Director of In-Q-Tel; member of the **Nasdaq** Listing and Review Council; member of the External Advisory Board of the CIA; member of the Advisory Board of Royal Oak Capital and Director of CINTT.

Experience and qualifications

Jeong H. Kim holds a doctorate in reliability engineering from the University of Maryland and holds degrees from Johns Hopkins University in Technical Management, electrical engineering, and computer sciences.

A businessman, professor, and member of the National Academy of Engineering, Jeong H. Kim joined Lucent Technologies in 1998 when Lucent purchased Jurie Systems, the company he founded in 1992. He supervised the Lucent's Optical Network Group. He then went to work at the University of Maryland, where he taught in both the Electrical Engineering and Computer Sciences Department and the Mechanical Engineering Department. Before that, Jeong H. Kim held technical and managerial positions in computers, satellite

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systems, and data communications, and he spent seven years as an officer aboard a US Navy nuclear submarine.

In 2005, Jeong H. Kim was appointed Chairman of Bell Laboratories (**Alcatel-Lucent**). He is the eleventh Chairman.

Mr Willy R. Kissling*

Age: 67

Business address:
Poststrasse n° 4 BP – 8808 Pfäeffikon - Switzerland

4,000 Schneider Electric SA shares

First appointed: 2001/Term ends: 2012

Directorships and other functions

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Member of Board of Directors of **Cleantech Invest AG**.
- Previous directorships and functions held in the past five years:
Director of **Kühne + Nagel International AG** (logistics); Director of **Holcim Ltd**; Chairman of the Board of Directors of Grand Resort Bad Ragaz AG; member of the European Advisory Board of Booz & Co.

Experience and qualifications

Willy Kissling, a Swiss citizen, holds diplomas from the University of Bern and Harvard University. He began his career at Amiantus Corporation and then joined Rigips, a plasterboard manufacturer, in 1978. He was appointed to the Rigips Executive Committee in 1981 and subsequently became Chairman. From 1987 to 1996, Mr Kissling served as Chairman and Executive Vice-President of Landis & Gyr Corporation, a provider of services, systems and equipment for building management, electrical contracting and pay phones. From 1998 to 2005, he was Chairman of the Board of Directors of Oerlikon Bührle Holding AG (since renamed OC Oerlikon Corp.).

Mrs Cathy Kopp*

Age: 62

Business address:
22, square de l'Alboni – 75016 Paris – France

500 Schneider Electric SA shares

First appointed: 2005/Term ends: 2014

Directorships and other functions

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Director of **Dexia**; member of the Appointments and Remuneration Committee of **Dexia**; member of the Board of the *Fondation SNCF*; member of the *Haut Conseil à l'Intégration*.
- Previous directorships and functions held in the past five years:
Member of the Board of *École Normale Supérieure de la rue d'Ulm* in Paris; General Manager of Human Resources and member of the Executive Committee of **Accor**; member of the *Collège de la Haute Autorité de Lutte contre les Discriminations* (Halde).

Experience and qualifications

After earning a degree in mathematics, Cathy Kopp joined IBM France in 1973. In 1992, she became Human Resources Director at IBM France before being appointed Vice-President of Human Resources in the Storage Systems Division of IBM Corp. In 2000, Cathy Kopp became Chairman and Executive Vice-President of IBM France. In 2002 she joined the Accor Group as HR Director and served until 2009. Cathy Kopp was Chairman of the Social Committee of the Service Providers Group at MEDEF until 2009. She headed up the cross sector negotiations on diversity at MEDEF in 2006, and the negotiations on modernising the labour market in 2007.



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Mrs Dominique Sénéquier*

Age: 58

Business address:

AXA Private Equity
20, place Vendôme – 75001 Paris - France

500 Schneider Electric SA shares

First appointed: 2010/Term ends: 2015

Directorships and other functions

- Currently:

Member of the Supervisory Board of **Schneider Electric SA**;

Chairman of the Management Board of AXA Investment Managers Private Equity SA France, Private Equity Europe SA; Chairman of the Supervisory Committee of AXA Private Equity US LLC (USA); Chairman of the Supervisory Board of AXA Private Equity Germany GmbH (Germany); Director of AXA Private Equity Asia Pte Ltd (Singapore), of Italy S.r.l. (Italy), Chairman of the Board of Directors of AXA Private Equity UK Ltd (UK), and Switzerland AG (Switzerland), and Switzerland Finance AG (Suisse); Chairman of the Supervisory Board of AXA Private Equity Eastern Europe GmbH (Austria); Chairman, member of the Management Committee and the Investment Committee of Maignon Développement 1 SAS, Développement 2 SAS, Développement 3 SAS, Développement 4 SAS; Chairman, member of the Management Committee and Coordination Committee of AXA Infrastructure Investissement SAS; Director of the *Théâtre des Champs Élysées* SA; Non-voting member of the Board of Directors of **Groupe Bourbon SA**; member of the Board of Directors and the Audit Committee of **Hewlett-Packard Company** (USA); member of the Board of Directors of **Compagnie Industriale Riunite S.p.A.** (Italy); Manager of SCI 30 rue Jacob; Director of SENEQ SA (Belgium); President of Escouf Properties Corp. (USA).

- Previous directorships and functions held in the past five years:

Non-voting Director of **Schneider Electric SA**; Vice-Chairman of the Supervisory Board of **Linedata Services SA**; Chairman of Pikanter 4 SAS; Chairman of AXA Chile Private Equity I; Director of AXA Private Equity Funds of Funds II Manager Ltd; Director of AXA Private Equity Primary Ltd; Director of AXA Private Equity Secondaries Ltd; Director of AXA IM Secondaries Associates Management Ltd; Director of AXA Private Equity SL Management Ltd; Director of AXA PE Asia Manager Ltd; Director of AXA IM LBO Management Ltd; Director of AXA IM LBO Management Ltd III; Director of AXA IM LBO Management Ltd IV; Director of AXA Alternative Participations SICAV I; Director of AXA Alternative Participations SICAV II; Director of **Groupe Bourbon SA**; Non-voting member of the Board of Directors of Nakama SA; Chairman of Pikanter 9 SAS; Chairman of Pikanter 10 SASU;

Experience and qualifications

Mrs Dominique Sénéquier is a graduate of *École Polytechnique* with a postgraduate diploma in banking and finance. She joined the insurance industry supervisory team in 1975. In 1980 she joined GAN as head of group acquisitions and then in 1987 she founded GAN Participations and which led up until 1995. In 1996 she joined AXA group and set up AXA Private Equity for which she is Chairman of the Management Board.

Mr G. Richard Thoman*

Age: 67

Business address:

Corporate Perspectives, LLC
126 East 56th Street, 9th Floor – New York NY 10022 - United States

500 Schneider Electric SA shares

First appointed: 2007/Term ends: 2012

Directorships and other functions

- Currently:

Member of the Supervisory Board of **Schneider Electric SA**;

Managing Partner of Corporate Perspectives (an American strategy consulting firm); member of the Board of Advisors of INSEAD, the French American Foundation, the Americas Society, the Council of the Americas, Committee for Economic Development, McGill University School of Management, the Fletcher School and the heritage committee of the *Institut des Hautes Études Internationales*, "IHEID" (Geneva); Adjunct Professor at Columbia University and the Fletcher School; member of the Trilateral Commission, the Council on Foreign Relations; Business Executives for National Security, New York Economics Club.

- Previous directorships and functions held in the past five years:

Member of the Board of Directors of *Union Bancaire Privée* (Geneva).

Experience and qualifications

Mr G. Richard Thoman has a unique background. He was one of the top five CEOs for four of the top Fortune 75 companies, in three different industries: financial services, food and beverage, and technology.

Mr Thoman began his career at Citibank after receiving his BA from McGill University in Montreal and MA, MALD and PhD from Fletcher School of Law and Diplomacy which resulted from a partnership between Tufts University and Harvard. He also graduated from *Hautes Études Internationales* in Geneva. After working with Exxon Finance and McKinsey, he became Chairman and co-Executive Vice-President of American Express Travel Related Services. In 1992, he was appointed Chairman and Executive Vice-President of Nabisco International. In 1993, he joined IBM as Senior Vice-President, Personal Systems Group, later becoming Financial Director. In 1997, he joined Xerox. He served as Chairman and Executive Vice-President of Xerox from April 1999 to May 2000. Mr Thoman is currently Managing Partner of Corporate Perspectives and is on the faculty of several US universities.

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Serge Weinberg*

Age: 60

Business address:
Weinberg Capital Partners
20, rue Quentin Bauchart – 75008 Paris – France

1,000 Schneider Electric SA shares

First appointed: 2005/Term ends: 2014

Directorships and other functions

- Currently:

Member of the Supervisory Board of **Schneider Electric SA**;

Chairman of the Board of Directors of **Sanofi**; Chairman of Weinberg Capital Partners, Financière Piasa and Piasa Holding, Piasa and VL Holding, Alret and Maremma; member of the Supervisory Committee of Financière BFSA; Vice-Chairman and Director of Financière Poinsettia and Financière Sasa; member of the Supervisory Board of Alfina; Permanent representative of Weinberg Capital Partners; Director on the Board of Alliance Industrie and Sasa Industrie; Chairman of Corum (Switzerland).

- Previous directorships and functions held in the past five years:

Vice-Chairman of the Supervisory Board of **Schneider Electric SA** (from May 2006 to May 2010); Chairman of the Board of Directors of **Accor** (January 2006 to February 2009); Director of Alliance Industrie (from October 2006 to November 2008), of Road Holding (from March 2007 to May 2008) and Rasec (from February 2006 to January 2010); member of the Management Board of Pharma Omnium International (from June 2006 to January 2010); Director of FNAC (from July 1995 to May 2010), of Rothschild Concordia SAS (from March 2008 to October 2010), of Rothschild & Cie (from June 2005 to October 2010), of the Gucci Group (from March 1999 to April 2010).

Experience and qualifications

After graduating from France's *École Nationale d'Administration*, Serge Weinberg held several positions in the French civil service and ministerial offices. He then served as Deputy Vice-President of FR3, Executive Vice-President and then Chairman of the Management Board of Havas Tourisme, Director of Pallas Finance. And then in 1990 joined what is now the Pinault-Printemps-Redoute Group (PPR) as Executive Vice-Chairman of *Compagnie française de l'Afrique occidentale* (CFAO). Within this group, he served as Chairman of Rexel (formerly CDME), an electrical equipment distributor. In 1995, he was appointed Chairman of the PPR Management Board, a position he held until early 2005. In March 2005 he founded Weinberg Capital Partners, a company that manages an investment fund specialised in leveraged buyouts and real estate. From 2006 to 2009, he was Chairman of the Board of Directors of Accor. He has been Chairman of the Board of Directors of Sanofi since May 2010.

Non-voting member

Mr Claude Bébéar

Age: 76

Business address:
GIE AXA
25, avenue Matignon – 75008 Paris – France

528 Schneider Electric SA shares

First appointed: 2004/Term ends: 2012

Directorships and other functions

- Currently:

Non-voting member of **Schneider Electric SA**;

Director of *AXA Assurances Vie Mutuelle*, *AXA Assurances IARD Mutuelle* and **BNP-Paribas**; member of the Supervisory Board of **Vivendi**.

- Previous directorships and functions held in the past five years:

Chairman of the Supervisory Board of **AXA**, Chairman and Director of various AXA subsidiaries, including AXA Financial; Chairman and Executive Vice-President of **Finaxa**.

Experience and qualifications

A graduate of *École Polytechnique*, Claude Bébéar joined Groupe Ancienne Mutuelle in 1958, the mutual insurance company that would become *Mutuelles Unies*, then AXA in 1985. He was appointed Chairman and Executive Vice-President of the Company in 1975.

From late 1996, when AXA merged with UAP, until 2000, Claude Bébéar served as Chairman of AXA's Management Board and Chairman of its Executive Committee. In 2000 he was appointed Chairman of the AXA Supervisory Board. Mr Bébéar resigned as Chairman of the Supervisory Board in April 2008 to become Honorary Chairman of AXA.



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> 2. Organisational and operating procedures of the Supervisory Board**

Missions and powers of the Supervisory Board

The Supervisory Board exercises ongoing control over the Management Board's management of the Company, in accordance with French law. To this end, it performs all the checks and controls that it considers appropriate and obtains copies of any and all documents that it considers necessary in order to fulfil its duties.

Specific powers are vested in the Supervisory Board under French law and the Company's articles of association. These include the power to:

- appoint the Management Board, designating the number of members that compose it as well as its Chairman. Establish the compensation of the members of the Management Board;
- if necessary, remove Management Board members from office;
- authorise financing transactions that may have a substantial effect on the Company's financial structure (loans, increase in share capital etc.);

- authorise material business acquisitions and disposals, meaning strategic transactions amounting to more than EUR250 million, as well as strategic partnerships;
- authorise the creation of stock option plans or stock grant plans, with or without performance criteria;
- authorise the signature of regulated related party agreements;
- authorise the issuance of bonds and other guarantees, subject to compliance with French law.

The Supervisory Board also authorises recommendations made at the Annual Shareholders' Meeting concerning the dividend, Board membership and changes statutory changes.

The Supervisory Board may appoint between one and three non-voting members and decide to create Board committees. It draws up internal rules. It determines the allocation of attendance fees; the total amount is determined by the Annual Shareholders' Meeting.

Internal rules and procedures of the Supervisory Board

The Supervisory Board's internal rules and procedures, adopted on May 3, 2006, include the internal rules and procedures of the Board committees (the Remunerations and Appointments and Human Resources Committee and the Audit Committee) as well as the Director's charter recommended by the AFEP/MEDEF corporate governance guidelines. It has been amended on several occasions.

The internal rules and procedures of the Supervisory Board are made up of 13 articles:

Article 1 defines the role and powers of the Supervisory Board (see above). It specifies the Management Board decisions that require the prior approval or consultation of the Supervisory Board. In particular, acquisitions amounting to more than EUR250 million require the prior approval of the Supervisory Board.

Article 2 defines the principles applied by the Supervisory Board concerning the renewal of its membership. These include assuring international representation by maintaining a significant number of non-French members, maintaining independence through a majority of independent members as defined in the AFEP/MEDEF corporate governance guidelines, ensuring continuity through the re-election of a certain proportion of the members at regular intervals and enabling representation of employee shareholders.

Article 3 defines the procedures for organising and conducting Supervisory Board meetings (notice of meeting, methods of participation, minutes, etc.).

Article 4 defines the role and powers of the Chairman of the Supervisory Board. The Chairman leads the work of the Board. He is regularly informed by the Management Board's Chairman of material events and developments in the life of the Group.

Article 5 concerns information received by the Supervisory Board. It stipulates that Supervisory Board members shall receive any information required to enable them to fulfil their duties and that they may request any necessary or relevant documents prior to any meeting of the Board. The article also describes the content of the Management Board's quarterly reports to the Supervisory Board, to be drawn up in accordance with Article L.225-68 of the French Commercial Code. It stipulates that the Management Board should present the Supervisory Board with annual targets, strategic and operational plans.

Article 6 defines the status of members of the Supervisory Board. This is in compliance with the Director's charter contained in the AFEP/MEDEF corporate governance guidelines.

It states that Supervisory Board members must:

- represent all shareholders and act in the corporate interest;
- resign from the Board when they have not participated in more than half the Board meetings;
- comply with an overall obligation of confidentiality;
- report any and all conflicts of interest;
- hold at least 250 shares of Company stock;
- abide by strict rules regarding transactions involving Schneider Electric SA stock (no trading allowed in the 31 days preceding

the day following the publication of the annual or interim financial statements and in the sixteen days preceding the day following publication of quarterly reports, etc.);

- attend General Meetings.

Article 7 states that non-voting members, who attend Supervisory Board meetings in a consultative capacity, are subject to the same ethical rules as voting members.

Articles 8 to 10 apply to Board committees. The content of these Articles is provided in the corresponding section below.

Articles 11 and 13 define the scope of the internal rules and procedures of the Supervisory Board.

Article 12 states that the Management Board may allocate management tasks among its members, with the Supervisory Board's approval.

Information required by the Supervisory Board and its members

Schneider Electric lays down the following rules so as to ensure the Supervisory Board is properly informed: in principle, members of the Supervisory Board have available to them a secure website on which they receive or can peruse, 10 days before each Board meeting, the meeting agenda and the draft minutes of the previous meeting and, four or five days before, documentation for the Board meeting. The file includes the Management Board's report, notes or the text of presentations scheduled on the agenda and, for the meeting held to approve the annual or interim financial statements, the financial statements approved by the Management Board. A supplementary file may also be provided at the meeting.

Supervisory Board meetings are attended by the members of the Management Board. Executive Committee members are invited for the presentation of major issues within their area of responsibility. The Statutory Auditors attend the Supervisory Board meetings at which the annual and interim financial statements are reviewed.

Between each meeting of the Supervisory Board, aside from interviews that Supervisory Board members may have with the Chairman of the Management Board, Supervisory Board members receive a monthly letter, a weekly press review, all of the Company's press releases, financial analysts' reports and other documents.

Members also have the opportunity to meet informally with key Members of Senior Management prior to Supervisory Board meetings. New members of the Supervisory Board attend training and information sessions dealing with the Company's strategy and businesses.

Schneider Electric has adopted a code of ethics for Supervisory Board Members and employees of the Group designed to prevent insider trading. Under the terms of these provisions, both Supervisory Board Members and employees are barred from trading Company shares and shares in companies for which they have information that has not yet been made public. In addition, they may not trade Schneider Electric SA 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 SA shares (including margin trading, purchasing and re-selling shares in a period of less than four months, etc.).



> 3. Supervisory Board meetings**

Eight meetings were held in 2011. The meetings lasted around four hours and the average participation rate of Members of Supervisory Board was 90%. They were primarily devoted to

discussing the Company's corporate governance and strategy, reviewing operations and the financial statements and preparing the Annual Shareholders' Meeting.

Corporate Governance

Based on advice from the Remunerations, Appointments and Human Resources Committee, the Supervisory Board:

- discussed the composition of its Membership and that of its committees and achieving gender balance on the Board. The Board, having also set a target of internationalisation, a better

gender and age balance within its composition, made a proposal to the Annual Shareholders' Meeting 2011 to ratify the co-opting of Anand Mahindra and the appointment to the Board of Betsy Atkins and Dominique Sénéquier and Jeong Kim. In December it co-opted Xavier Fontanet to replace Mr Mahindra who had

resigned for reasons of a possible conflict of interest between Schneider Electric and Mahindra & Mahindra that could have arisen out of the development of these two groups' distribution businesses in India;

- discussed succession of its Chairman. In fact, after the successful succession of its CEO, the Board is working on the succession of its chairman and a suitable governance model.
- reviewed the Management Board's operations and evaluated the members of the Management Board;
- examined the Management Board's Members succession plan;
- approved the remuneration of members of the Management Board (appraisal of attainment of their personal targets for 2010 and determination of the rules relating to their remuneration for 2011: fixed element, variable element) as well as the number of stock grants. The principles and rules applied by the Supervisory Board in determining remuneration and benefits for corporate officers are presented below (pages 124 and 125);
- authorised the Management Board to set up plans for performance/bonus shares (plans 10bis, 11bis, 12, 13 and 14, see page 249 and following) and to carry out an employee share issue in 2012;
- made a proposal to the Annual Shareholders' Meeting to increase attendance fees;
- decided to review these every three years. This was carried out in the Autumn of 2011 with the assistance of the Supervisory Board secretary. This review included the opinions and comments of Members of the Board based on a questionnaire drawn up

by the Remunerations, Appointments and Human Resources Committee. This questionnaire covered the membership of the Board, its missions, the conduct of its meetings and information as well as the Board's relations with the Management Board and the organisation and conduct of its Committees. On February 21, 2012 the Supervisory Board examined the conclusions of the report submitted by the Remunerations, Appointments and Human Resources Committee. This examination concluded that the Board is exemplary. This appraisal was shared by all its Members. They feel that the Schneider Electric SA Board is amongst the best, if not the best Board on which they sit or have had occasion to sit. They put this down to the quality and depth of discussions at Board meetings and the level of confidence that reigns between Members themselves and between Members and management. Areas for improvement were identified however. These mainly relate to the development of discussions of the Board, the situation of Schneider Electric compared to the competition, R&D and more especially R&D productivity and the conclusions arising out of the work undertaken by the Audit Committee on risk. The Board also wishes to receive more detailed information on Schneider Electric's competitors and the Group's situation regarding those competitors as well as information on the work of the Executive Committee. In order to improve the conduct of its work, the Board intends to extend the duration of its meetings. It furthermore considers that the participation of its members by audio or video conference should only be a last resort. Furthermore, the Board has accepted to raise the minimum number of Schneider Electric SA shares that Members have to hold from 250 to 1,000.

Strategy

The Supervisory Board conducted an in-depth review of the Group's strategy at a one-and-a-half-day meeting devoted entirely to this topic, as it does each year.

In particular, as part of this strategy, the Board authorised acquisition of Telvent, Leader & Harvest and Luminous.

The Board examined the new Company programme "Connect" covering the period 2012-2014.

Agenda

The Supervisory Board was given the Management Board's quarterly reports. At each meeting, the Board also tracked business performance. It also examined the Company's financial position.

The Supervisory Board was informed of the Group's 2011 targets.

On February 16, 2011, the Supervisory Board reviewed the 2010 financial statements based on the Audit Committee's report and the Statutory Auditors, who were present at the meeting. It approved the Management Board's proposal to set the dividend at EUR3.20 per share. At its meeting on July 28, 2011, the Board reviewed the financial statements for the first half of 2011 based on the Audit Committee's report and after seeking the opinion of the Statutory Auditors.

The Audit Committee reported to the Board on the work carried out by the Group's internal auditors, the deployment of an internal audit team and the results of the entities' internal control self-evaluations.

The Audit Committee also reported on other steps taken with regard to monitoring risk management, prevention of fraud, the management process for R&D solutions and projects, financial communication such as investor days, reviewing acquisitions and the independence of the Statutory Auditors.

It ensured consistent compliance with market disclosure requirements, notably through an analysis of market consensus and the issuance of press releases.

The Supervisory Board carried out the procedures required by law, which include reviewing budgets and business plans.

Shareholders' Meeting 2011

The Supervisory Board reviewed the agenda and draft resolutions to be tabled at the 2011 Annual Shareholders' Meeting, and prepared its report to shareholders. It approved the Chairman's report on the operations of the Supervisory Board and internal control. Almost all

of the Members of the Board (13/14) were present at the Annual Shareholders' Meeting. The Meeting adopted all the resolutions tabled.

> 4. Supervisory Board committees (members, operating procedures and meetings)**



In its internal rules and procedure, the Supervisory Board has set out the role, responsibilities and competences of its two committees: the Audit Committee and the Remuneration, Appointments & Human Resources Committee. Their Members are appointed by the Supervisory Board, based on recommendations from the

Remuneration, Appointments & Human Resources Committee. The Committees may commission studies from outside consultants after having referred to the Chairman of the Supervisory Board. They may invite anybody they wish to meetings, as necessary.

Audit Committee

Members

The Supervisory Board's internal rules and procedures stipulate that the Audit Committee must have at least three members. Two thirds of the Members must be independent and at least one must have in-depth knowledge of accounting standards combined with hands-on experience in applying current accounting standards and producing financial statements.

The Audit Committee has three members: Gérard de La Martinière, Chairman, Noël Forgeard and Jérôme Gallot. They are independent and have the necessary financial or accounting competence. In addition, Noël Forgeard offers particular expertise on industrial matters.

Operating procedures

Meetings are called by the Committee Chairman or at the request of the Chairman of the Supervisory Board or the President and CEO. At least five meetings are held during the year.

It may invite whomever it chooses 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 can ask the Management Board to provide it with any documentation it feels necessary. It may also commission studies from external consultants.

Responsibilities

A cornerstone of the Group's internal control system, the Audit Committee is responsible for preparing the work of the Supervisory Board, making recommendations to the Board and issuing opinions on financial, accounting and risk management issues. Accordingly it:

- prepares the Supervisory Board's review of the annual and interim financial statements, and notably in this respect:
 - ensures that accounting policies used to prepare the consolidated and company financial statements are appropriate and applied consistently, that all significant transactions are properly reflected in the consolidated financial statements and that the rules governing the scope of consolidation are correctly applied,
 - analyses the scope of consolidation, risks, commitments given – including off-balance sheet commitments –, as well as the financial position and the cash position;
- reviews the draft Registration Document and takes on Board any comments by the AMF in this regard, as well as the reports on the interim financial statements;
- makes recommendations concerning the appointment or re-appointment of the Statutory Auditors;
- monitors the auditing of the annual and consolidated financial statements, notably by examining the scope of the external audit schedule and the results of the reviews carried out by the Statutory Auditors;
- verifies the auditors' independence, in particular by reviewing fees paid by the Group to their firm and network and by giving

prior approval for assignments that, strictly speaking, fall outside the scope of the auditing of the financial statements;

- monitors the effectiveness of internal control and risk management systems. In particular, the Committee:
 - reviews Internal Audit organisation and resources, as well as its annual audit schedule. Receives a quarterly summary report on the findings of the audits carried out,
 - reviews risk mapping and its year on year evolution,
 - reviews risk mitigation on the basis of presentations by the relevant managers or reports by Internal Audit,
 - reviews the rollout of the Company's internal audit system and the management report on internal control, as well as the draft report of the Chairman of the Supervisory Board on procedures for internal audits and risk management,
 - reviews codes of conduct, notably concerning fair trading and ethics and examines the measures taken to ensure they are circulated and applied.

The Audit Committee examines proposed dividend payouts and the amount of financial authorisations submitted to the Annual Shareholders' Meeting.

The Audit Committee examines all financial, accounting and risk management issues referred to it by the Management Board, the Supervisory Board or its Chairman.

The Audit Committee presents its findings and recommendations to the Board. The Chairman of the Audit Committee immediately informs the Chairman of the Supervisory Board of any difficulties encountered.

Meetings in 2011

In 2011, the Audit Committee met six times. The average duration of the meetings was three hours and the average attendance rate was 94%.

Each meeting was attended by the Chief Financial Officer, members of the Finance Department, head of Internal Audit and also the external auditors. Operational management also reported to the Committee. In line with the provisions of the AFEP/MEDEF Code, representatives of the Finance Department and Internal Audit were not present during the Statutory Auditors' presentation at meetings devoted to the financial statements. The President and CEO did not attend any of the Audit Committee's meetings.

The Committee looked at the following topics:

- 1) Financial statements and financial disclosures:
 - review of the annual and interim financial statements and of the reports of the Management Board on the financial statements,

- review of goodwill, reserving and pension obligations or assimilated obligations,
- review of investor relations documents concerning the annual and interim financial statements,
- review of AMF recommendations concerning the 2011 Registration Document,
- review of financial communication such as Investor days;

2) Internal audit, internal control and risk management:

- review of the 2012/Q1 2013 Internal Audit schedule drawn up on the basis of risk mapping,
- review of the main audits carried out by Internal Audit and an update of the methodology for internal audit,
- review of the current situation regarding organisation and deployment of Internal Audits and review of the results of self-evaluation,
- review fraud prevention: methodology and executive summary,
- review of action plans regarding the security of IT systems,
- review of the possible impacts of the financial crisis on management of debt and the Group's conditions for obtaining finance,
- review of procedures for the approval of projects,
- review of tax risks,
- review of controls on customer risks,
- review of management process for R&D,
- review of business acquisition plans,
- review of Group policy on managing Benefits and the Pension Fund,
- review of risk mitigation by means of insurance,
- review of the Chairman's draft report on procedures for internal audit and risk management;

3) Statutory Auditors:

- review of the 2010/2012 external audit schedule,
- review of the fees paid to the Statutory Auditors and their networks;

4) corporate governance:

- update the 2010-2013 schedule covering the work of the Audit Committee and more specifically its risk review,
- review of the financial authorisations presented to the 2011 Annual Shareholders' Meeting,
- recommended dividend for 2011.

The Audit Committee reported to the Supervisory Board on its work in 2011 at the February 16, June 21 and 22, July 28, October 19 and December 15, 2011 meetings.

Remunerations, Appointments and Human Resources Committee

Members

The Supervisory Board's internal rules and procedures stipulate that the Remuneration, Appointments & Human Resources Committee must have at least three members. It is chaired by the Chairman of the Supervisory Board.

The Committee members are: Messrs Henri Lachmann – Chairman –, Claude Bébéar, Léo Apotheker, Willy R. Kissling and Serge Weinberg.

Operating procedures

Meetings are called by the Committee Chairman. The agenda is drawn up by the Chairman, after consulting the President and CEO. It meets at least three times a year.

The Committee may seek advice from any person it feels will help it with its work.

Responsibilities

The Committee makes recommendations to the Supervisory Board concerning candidates for appointment to the Management Board, the Supervisory Board and the Committees. It also makes recommendations concerning the remuneration of members of the Management Board and the Chairman of the Supervisory Board, as well as concerning stock options and stock grants for members of the Management Board, and all other aspects of their remuneration "package".

Based on the proposals made by the Management Board, the Committee makes recommendations concerning the remuneration of Executive Committee Members, the principles and methods for determining executive compensation, as well as the creation of stock option, bonus shares and employee stock ownership plans.

It is also responsible for examining succession plan solutions for members of the Management Board and Executive Committee.

It examines Human Resource policies and in particular:

- the Human Resource strategy and major action plans, including those relating to the talent policy and key skills (high potential, experts, occupations, etc.);
- the policy of giving employees a share in the Group's profits;
- the overall remuneration policy for managers and the remuneration packages of Executive Committee Members.

It recommends the amount for attendance fees, which is established by the Annual Shareholders' Meeting, and the basis for their allocation.

The Committee recommends processes and procedures to reassure shareholders and the market that the Supervisory Board carries out its responsibilities objectively and independently.

It thus makes recommendations to the Supervisory Board regarding:

- the terms of reference of Supervisory Board Committees;
- the determination and review of independence criteria applicable to Supervisory Board Members;
- the assessments of the Supervisory Board's organisation and procedures;
- application by the Company of national or international corporate governance practices.

The Remunerations, Appointments and Human Resources Committee presents the Board with the results of its work and actions it proposes. The minutes of these meetings are circulated to members of the Supervisory Board.

Meetings in 2011

In 2011, the Supervisory Board's Remuneration, Appointments and Human Resources Committee met four times. The attendance rate by its Members was 95%. It reported on its work to the Supervisory Board at the February 16, June 21 and 22, October 19 and December 15, 2011 meetings.

The Remuneration, Appointments & Human Resources Committee made recommendations to the Supervisory Board concerning:

- the Membership of the Supervisory Board and of its committees and the classification of Members on the basis of the independence criteria;
- the succession of the Chairman of the Supervisory Board;
- the remuneration of members of the Management Board (amount, structure of 2012 remuneration, 2011 targets, and level of achievement of 2010 targets);
- the changes to the top-up pension plan for senior executives;
- the implementation of the annual performance share plans and the allocation of stock grants to members of the Management Board, in accordance with the AFEF/MEDEF guidelines of October 6, 2008;
- the launch in 2012 of a new employee share issue;
- changes to the articles of association regarding the upper age limit (abolition of the statutory age limit) and regarding non-voting members whose maximum number is now set at four;
- the amount of attendance fees;
- organisation of the three-year appraisal of the Board;
- organisation and operation of the Board in the light of the results of the three-year appraisal.

The Committee also reported to the Board on:

- the review of the work of the Management Board and the assessment of the performance of its Members;
- the review of the performance of Members of the Executive Committee;
- the review of succession plans for members of the Management Board and Members the Executive Committee;
- the review of the remuneration of Executive Committee Members;
- the review of the draft report from the Chairman on corporate governance.



> 5. Management Board members

The bylaws stipulate that the Management Board may have between two and seven members.

The Management Board and its Chairman are appointed by the Supervisory Board. Membership on the Management Board is for three years and renewable.

The age limit for holding office as a member of the Management Board is 65. When a member reaches the age of 65, the Supervisory

Board may extend his or her term several times provided that the total extension does not exceed three years.

The Management Board consists of two members: Jean-Pascal Tricoire, Chairman, and Emmanuel Babeau. He was appointed by the Supervisory Board for a three year term that will expire on May 2, 2012. At its meeting of February 21, 2012 the Supervisory Board decided to renew his appointment at term for a further three years expiring on May 2, 2015.

President and CEO

Mr Jean-Pascal Tricoire

Age: 48

Business address:

Schneider Electric

35, rue Joseph Monier – 92500 Rueil-Malmaison - France

99,885 ⁽¹⁾ Schneider Electric SA shares

First appointed: 2006/Term ends: 2012

Directorships and other functions

- Currently:

Chairman of the Management Board of **Schneider Electric SA**, Chairman and Chief Executive Officer of Schneider Electric Industries SAS, Director of Schneider Electric USA, Inc. (USA). (United States).

- Previous directorships and functions held in the past five years:

Director of Clipsal Asia Holding Limited, Digital Electronics Corporation, Schneider Electric (Australia) Pty. Limited, Schneider Electric New Zealand Holding Limited, PT Schneider Indonesia, Schneider Electric Japan Ltd, Schneider Electric Japan Holding Ltd, Schneider Electric Venezuela SA, Schneider Toshiba Inverter SAS and PDL Holding Ltd.

Experience and qualifications

After graduating from ESEO Angers and obtaining an MBA from EM Lyon, Jean-Pascal Tricoire spent his early career with Alcatel, Schlumberger and Saint-Gobain. He joined the Schneider Electric Group (Merlin Gerin) in 1986. From 1988 to 1999 he occupied occupational functions within Schneider Electric abroad, in Italy (five years), China (five years) and South Africa (one 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 Chief Operating Officer, before becoming Chairman of the **Schneider Electric SA** Management Board on May 3, 2006.

Member of the Management Board

Mr Emmanuel Babeau

Age: 44

Business address:

Schneider Electric

35, rue Joseph Monier – 92500 Rueil-Malmaison - France

1,187 ⁽¹⁾ Schneider Electric SA shares

First appointed: 2009/Term ends: 2012

Directorships and other functions

- Currently:

Chairman of the Board of Directors of Schneider Electric Services International, Director of Schneider Electric Industries S.A.S., Schneider Electric France and Schneider Electric USA.

- Previous directorships and functions held in the past five years:

Group Deputy Managing Director in charge of Finance at **Pernod Ricard**.

Experience and qualifications

Emmanuel Babeau graduated from ESCP and began his career at Arthur Andersen in 1990. In 1993, he joined the Pernod Ricard group as an internal auditor. He was appointed head of Internal Audit, the Corporate Treasury centre 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.

(1) Held directly or through the FCPE.

> 6. Organisational and operating procedures of the Management Board

The Management Board has the broadest powers in relation to third parties to act in all circumstances in the Company's name within the limits of the corporate purpose, except for those powers that are specifically vested in the Supervisory Board and the Shareholders' Meeting under French law, and except for those matters that require the prior authorisation of the Supervisory Board.

Under French law and pending, when necessary, the Supervisory Board's authorisation, the Management Board:

- approves the annual and interim financial statements and related management reports;
- calls Shareholders' Meetings;

- decides share issues and capital reductions, pursuant to an authorisation given by shareholders in Extraordinary Meeting;
- grants stock options and makes stock grants, pursuant to an authorisation given by shareholders in Extraordinary Meeting;
- decides to carry out bond issues.

The Management Board has adopted internal rules and procedures that organise its activities and its relations with the Supervisory Board. These internal rules and procedures are invalid against claims from third parties.

The Management Board met 16 times in 2011.



> 7. Declarations concerning the situation of the members of the Supervisory Board and Management Board

The members of the Supervisory Board and Management Board together hold 0.03% of the Company's capital and 0.03% of the voting rights.

Emmanuel Babeau has a service contract with Schneider Electric Industries SAS and is Chairman of the Board of Directors of

Schneider Electric Services International. He receives compensation for these duties.

Claude Briquet has a service contract with Schneider Electric Industries SAS.

Service contracts

None of the members of the Supervisory Board or Management Board has a service contract with the Company or any of its subsidiaries providing for benefits upon termination of employment.

Conviction or incrimination

To the best of the Company's knowledge, in the last five years, none of the members of the Supervisory Board or Management Board has been:

- the subject of any convictions in relation to fraudulent offences 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.

Family ties

To the best of the Company's knowledge, none of the members of the Supervisory Board or Management Board are related to each other.

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 member of the Supervisory Board or Management Board has been selected as a member of an administrative, management or supervisory body or a member of Senior Management.

To the best of the Company's knowledge, there are no conflicts of interest between any duties of the members of the Supervisory Board or Management Board to the Company and their private interests or other duties.

To the best of the Company's knowledge, the members of the Supervisory Board and Management Board have no restrictions on selling their Company shares aside from those stipulated in stock option and stock grant plans (see page 249 and following) for Members of the Management Board and a 250 share-holding requirement for members of the Supervisory Board.

> 8. Management interests and compensation

Corporate officers and Executive Committee compensation policy**

The general principles underlying the Senior Management compensation policy and the situation of each executive are reviewed by the Remunerations and Appointments and Human Resources Committee and presented to the Supervisory Board.

The policy's aims are to:

- retain and motivate the best talents;
- reward individual and collective performance;
- align overall compensation with the Group's results.

The variable remuneration, expressed in terms of a percentage of the fixed element, is linked to the attainment of objectives set out at the beginning of the financial year. There can be quite a considerable variation in amounts depending on the degree of attainment of objectives. This fluctuation can vary from 0% to 160% of the fixed remuneration for Members of the Executive Committee and 200% for the Chairman of the Management Board. The variable remuneration is therefore of a distinctly random nature.

The variable remuneration of Executive Committee Members are determined as follows:

- 30% is determined by Group's overall performance, as measured in terms of operating margin, organic growth, cash generation ratio and customer satisfaction rates;
- 70% is based on the performance of the executive's unit (economic targets), as measured on the basis of collective targets (solutions, the Company's social responsibility, people development etc.) and on the attainment of measurable personal goal set for them.

The remuneration of the Management Board Members is set by the Supervisory Board based on the recommendations of the Remunerations and Appointments and Human Resources Committee.

The variable remuneration of the Management Board Members are determined as follows:

- 70% is determined by Group's overall performance, as measured in terms of operating margin, organic growth, cash generation ratio, customer satisfaction rates, corporate social responsibility and people development);
- 30% on the attainment of measurable personal performance targets set by the Supervisory Board.

Directors benefit from an annual long-term participation scheme that gives them a performance-based allocation of shares, linked in part, for Executors or those who are residents in the USA, to stock appreciation rights (SARs) that are akin to stock options. Stock options are no longer been allocated since December 2010.

As part of this long term participation scheme, 100% of the shares and/or SARs allocated to Members of the Management Board since January 2009 and to Members of the Executive Committee since December 2011 are subject to a performance criterion. The level of performance attainment recorded is controlled by the external auditors.

Details of these stock grants are set out on pages 249, 253 (History of share plans).

Pension benefits**

French members of the Management Board are covered by the Group's top-hat defined-benefit pension plan (article 39) and, with the exception of Jean-Pascal Tricoire, supplementary defined-contribution pension plans (article 83) for employees and/or Group Managers. The benefits from defined-contribution plans are deducted from the pension supplement from the defined-benefit plan.

The defined-benefit plan provides for a pension supplement of a maximum amount equal to 60% ⁽¹⁾ of the difference between the average reference salary (i.e. the average of the base salary and of the remuneration during three calendar years prior to retirement) plus the total benefit amounts granted under external plans (compulsory and other plans, where applicable). The pension plus the additional pensions from defined-contribution plans, may not

exceed 25% of the average reference salary. The defined-benefit plan includes, subject to conditions, a right to 60% for the surviving spouse. Under the contingency section, an annuity for the spouse is paid if the executive dies before the retirement age. In the event of disability occurring in the course of business, the executive has a right to a pension supplement as of his/her sixtieth birthday.

This defined-benefit plan (see pages 260, 261 and 265) will be modified as of July 1, 2012 in particular to provide for a progressive acquisition of the rights of these beneficiaries according to how long they have been in the Group and on the Executive Committee.

Non-French Members of the Board of Directors are covered by pension plans in line with local practices in their respective countries.

Compensation of the Supervisory Board Members

Chairman of the Supervisory Board

Based on the recommendation of the Remunerations, Appointments and Human Resources Committee, at its meeting on April 22, 2010, the Supervisory Board decided to set the annual compensation of its Chairman at EUR500,000 not including the attendance fees paid to Supervisory Board Members.

The Chairman of the Supervisory Board does not receive any stock options or stock grants and will not be entitled to any payment on leaving the Board.

In 2011, Mr Henri Lachmann was paid:

- in his capacity as Chairman of the Supervisory Board: EUR500,000;
- in attendance fees for 2010: EUR60,000;
- under the Company's pension plan for senior executives: EUR558,276.

Mr Lachmann has a Company car and may also use the chauffeur-driven Company cars made available to Group Senior

Management. This benefit in kind can be estimated for the entire financial year at EUR2,279.

Members of the Supervisory Board

The Annual Shareholders' Meeting set total attendance fees at EUR1 million. The Supervisory Board has decided to allocate these fees as follows:

- Board members and non-voting Members resident in France receive a basic fee of EUR15,000 and members resident outside France receive double this amount;
- Board members receive a fee of EUR5,000 for each meeting they attend;
- members who sit on the committees of the Board receive a fixed fee of EUR15,000, with the Audit Committee Chairman receiving double this amount.



(1) The maximum amount is defined as follows: 50% if the number of years of service is less than or equal to five years, plus 1% per year from the sixth year of service for Senior Manager status.

On this basis, attendance fees paid in respect of 2010 and 2011 were as follows:

Supervisory Board members	Amounts paid for the financial year 2011 ⁽¹⁾	Amounts paid for the financial year 2010 ⁽¹⁾
Mr LACHMANN		
Attendance fees	EUR70,000	EUR60,000
Other	EUR500,000	EUR500,000
Mr APOTHEKER		
Attendance fees	EUR75,000	EUR57,500
Other		
Mrs ATKINS ⁽²⁾		
Attendance fees	EUR61,000	-
Other		
Mr BÉBÉAR ⁽³⁾		
Attendance fees	EUR15,000	EUR15,000
Other		
Mr BRIQUET ⁽⁴⁾		
Attendance fees	-	-
Other		
Mr FORGEARD		
Attendance fees	EUR70,000	EUR60,000
Other		
Mr GALLOT		
Attendance fees	EUR70,000	EUR60,000
Other		
Mr KIM ⁽⁵⁾		
Attendance fees	EUR61,000	-
Other		
Mr KISSLING		
Attendance fees	EUR85,000	EUR75,000
Other		
Mrs KOPP		
Attendance fees	EUR50,000	EUR45,000
Other		
Mr de La MARTINIÈRE		
Attendance fees	EUR85,000	EUR75,000
Other		
Mr MAHINDRA ⁽⁶⁾		
Attendance fees	EUR29,600	EUR11,100
Other		
Mrs SÉNÉQUIER ⁽⁷⁾		
Attendance fees	EUR40,000	EUR8,150
Other		
Mr THOMAN		
Attendance fees	EUR65,000	EUR55,000
Other		
Mr WEINBERG		
Attendance fees	EUR60,000	EUR55,000
Other		

(1) Attendance fees for the year are paid at the beginning of the following year.

(2) This sum includes a non-recurring fee of EUR15,000 awarded by the Board for Ms ATKINS.

(3) Non-voting member.

(4) Mr Briquet, who has a employment contract with Schneider Electric Industries SAS, waived payment of his attendance fees. The sum of the attendance fees will be donated by Schneider Electric SA to the Schneider Electric Foundation.

(5) This sum includes a non-recurring fee of EUR10,000 awarded by the Board to Mr KIM.

(6) Mr Mahindra resigned on June 27, 2011.

(7) Non-voting member before being appointed as a member of the Supervisory Board at the Annual Shareholders' Meeting on April 21, 2011.

Compensation and stock options for Management Board Members

Based on the recommendation of the Remunerations, Appointments and Human Resources Committee, at its meetings on December 15, 2010, February 16, 2011, December 15, 2011 and February 21, 2012 the Supervisory Board set the annual compensation for the members of the Management Board.

President and CEO – Jean-Pascal Tricoire

At its meetings of December 15, 2010 and February 16, 2011, the Supervisory Board:

- decided to set the annual 2011 salary of Jean-Pascal Tricoire at EUR900,000 and his target variable remuneration at 100% of this amount, with a maximum of 200%. 70% of Mr Tricoire's target variable remuneration is based on Group performance targets and 30% is based on measurable personal targets;
- authorised, as part of the long-term incentive plan for 2011, an allocation of 50,000 ⁽¹⁾ performance shares under plan 10. The allocation of these shares is entirely dependent on attaining Group performance criteria, in compliance with the AFEP/MEDEF recommendations. These shares are also subject to lock-up arrangements (see page 250).

At its meeting of February 16, 2011 the Supervisory Board set the following targets for Mr Tricoire's variable remuneration.

- Group performance: organic revenue growth, growth in operating profit, cash generation ratio and customer satisfaction rates;
- Individual performance: complete the One programme develop the new company programme, balance between Solutions/Products...

Based on these elements, at its meeting of February 21, 2012, the Supervisory Board set the variable remuneration for 2011 at 133.10% of his base salary, or EUR1,197,900.

Member of the Management Board – Emmanuel Babeau

At its meetings of December 15, 2010 and February 16, 2011, the Supervisory Board decided:

- to set Mr Babeau's total fixed annual salary for 2011 at EUR500,000 and his target variable remuneration at 80% of this amount, with a maximum of 160%. 70% of Mr Babeau's target variable remuneration is based on Group performance targets and 30% is based on measurable personal targets;
- authorised, as part of the long-term incentive plan for 2011, an allocation of 20,000 ⁽²⁾ shares for performance under plan 10. The allocation of these shares is entirely dependent on attaining Group performance criteria, in compliance with the AFEP/MEDEF recommendations. These options are also subject to lock-up arrangements (see page 250).

70% of the variable remuneration is based on the Group's overall performance (rate of operating margin, organic growth, cash generation ratio, customer satisfaction rate, company's social responsibility and people development) and 30% is based on attaining personal objectives laid down by the Board.

Based on these elements, at its meeting of February 21, 2012, the Supervisory Board set the variable remuneration for 2011 at 103.23% of base salary, or EUR516,150



Overview of Management Board compensation

Summary of remunerations, stock options and shares granted to each corporate officer director for the financial year

Jean-Pascal TRICOIRE, President and CEO	Financial year 2011	Financial year 2010
Remuneration for the financial year	2,101,097	2,323,946
Valuation of options granted during the financial year ⁽³⁾	0	958,000
Value of stock grants granted during the financial year	2,565,000	867,500
TOTAL	4,666,097	4,149,446

Emmanuel BABEAU, Member of the Management Board	Financial year 2011	Financial year 2010
Remuneration for the financial year	1,021,667	1,215,167
Valuation of options granted during the financial year ⁽³⁾	0	287,400
Value of stock grants granted during the financial year	1,026,000	260,250
TOTAL	2,047,667	1,762,817

(1) The data below has been adjusted to reflect two-for-one share split that took place on September 2, 2011.

(2) See note 1.

(3) The valuation of stock options and stock grants correspond to a measurement carried out in application of IFRS 2 and not remuneration actually received during the financial year. Income from these stock options and stock grants is subject to the attainment of performance criteria

Summary table of the remuneration of each corporate officer

Jean-Pascal TRICOIRE	Financial year 2011		Financial year 2010	
	Amounts due for the financial year	Amounts paid during the financial year	Amounts due for the financial year	Amounts paid during the financial year
President and CEO				
Fixed remuneration	900,000	900,000	850,000	850,000
Variable remuneration	1,197,900	1,468,800	1,468,800	1,147,500
Exceptional remuneration	0	0	0	0
Attendance fees	0	0	0	0
Benefits in kind (company car)	3,197	3,197	5,146	5,146
TOTAL	2,101,097	2,371,997	2,323,946	2,002,646

Emmanuel BABEAU	Financial year 2011		Financial year 2010	
	Amounts due for the financial year	Amounts paid during the financial year	Amounts due for the financial year	Amounts paid during the financial year
Member of the Management Board				
Fixed remuneration	500,000	500,000	500,000	500,000
Variable remuneration	516,150	709,650	709,650	316,000
Exceptional remuneration	0	0	0	0
Attendance fees	0	0	0	0
Benefits in kind (company car)	5,517	5,517	5,517	5,517
TOTAL	1,021,667	1,215,167	1,215,167	821,517

Subscription or purchase options attributed during the financial year to each corporate officer by the issuer and by any company in the Group

The data below has been adjusted to reflect two-for-one share split that took place on September 2, 2011.

No options to subscribe new shares or purchase existing shares were granted during the 2011 financial year.

For a complete understanding of the information reported in the summary of the compensation, stock options and stock grants received by each corporate officer (see page 127), the allocations made for 2010 are given below.

	Plan no. ⁽¹⁾	Plan date	Unit valuation IFRS 2	Number of options granted	Exercise price	Exercise period	Type of options ⁽²⁾
Jean-Pascal TRICOIRE	33	Dec. 21, 2009	9.58	100,000	37.92	Dec. 21, 2013/ Dec. 20, 2019	P/S
Emmanuel BABEAU	33	Dec. 21, 2009	9.58	30,000	37.92	Dec. 21, 2013/ Dec. 20, 2019	P/S

(1) Plan 33 granted for the financial year 2010.

(2) Their type, purchase options (P) or subscriptions options (S) will be determined before the start of the financial year.

Plan 33	
Performance criteria	100% of options – 2010 and 2011 operating margin and share of revenue generated in new economies

Stock grants allocated during the financial year to each corporate officer

The data below has been adjusted to reflect two-for-one share split that took place on September 2, 2011.

For a complete understanding of the information reported in the summary of the compensation, stock options and stock grants received by each corporate officer (see page 127), the allocations made in 2011 (for 2012) and the allocations made in 2009 and 2010 for 2010 and 2011 are disclosed hereinafter.

	Plan no. ⁽¹⁾	Plan date	Number of shares granted	Unit valuation IFRS 2	Acquisition date	Date of availability
Jean-Pascal TRICOIRE	8	Dec. 21, 2009	25,000	34.70	December 22, 2012	February 23, 2013
	10	Dec. 17, 2010	50,000	51.30	March 18, 2013	March 19, 2015
	13	Dec. 16, 2011	50,000	33.89	March 17, 2014	March 18, 2016
Emmanuel BABEAU	8	Dec. 21, 2009	7,500	34.70	December 22, 2012	February 23, 2013
	10	Dec. 17, 2010	20,000	51.30	March 18, 2013	March 19, 2015
	13	Dec. 16, 2011	22,000	33.89	March 17, 2014	March 18, 2016

(1) Plan 8 for 2010, plan 10 for 2011, plan 13 for 2012.

	Plan 8	Plan 10	Plan 13
Performance criteria	100% of the shares – 2010 and 2011 operating margin and share of revenue generated in new economies	100% of the shares – 2011 and 2012 operating margin and average revenue growth in 2011 and 2012 compared to changes in world GDP over the same period	100% of the shares - 2012 and 2013 operating margin and change in the Planet & Society Barometer

Performance shares made available for each corporate officer

Name	Plan no.	Plan date	Number of shares made available during the financial year	Date of availability	Conditions of acquisition
Jean-Pascal TRICOIRE	1	Dec. 21, 2006	10,588	Dec. 21, 2011	50% of shares - 2007 and 2008 operating margin and revenue

Benefits received by members of the Management Board

Management Board corporate officers	Employment contract		Top-hat pension plan		Payments or benefits may be due in the event of termination or change of function		Payments in relation to a non-compete agreement	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Pascal TRICOIRE President and CEO May 3, 2009 May 2, 2012		See hereafter "President and CEO"	See above "Pension benefits"		See hereafter "President and CEO"		See hereafter "President and CEO"	
Emmanuel BABEAU Member of the Management Board May 3, 2009 May 2, 2012	See hereafter "Member of the Management Board"		See above "Pension benefits" ⁽¹⁾		See hereafter "Member of the Management Board"		See hereafter "Member of the Management Board"	

(1) The contribution paid in 2011 to the defined contribution retirement plan was EUR22,901.

President and CEO - Jean-Pascal Tricoire

In accordance with AFEP/MEDEF guidelines, Mr Jean-Pascal Tricoire resigned from his service contract when he was reappointed Chairman of the Management Board on May 3, 2009. The Supervisory Board has defined the benefits granted to him as Chairman of the Management Board. Under the terms of his new status, approved by the Annual Shareholders' Meeting of April 23, 2009, Mr Jean-Pascal Tricoire:

- 1°) will continue to benefit from:
 - the Schneider Electric SA and Schneider Electric Industries SAS employee benefit plan, which offers health, disability and death coverage,
 - the supplementary health, disability and death coverage available to the Group's senior French executives,
 - the Top-hat Pension Plan for the Group's Senior Management described in the Supervisory Board Chairman's report in accordance with article L.225-68 of the French Commercial Code (see page 125);
- 2°) Mr Tricoire will be due compensation in the event of termination, capped at two years of his target remuneration (fixed salary and target bonus, maximum described below) taking into account compensation provided for in the non-compete agreement described below. The amount due will be subject to performance criteria.

Compensation will be due in the event that:

- (i) Mr Tricoire resigns, is dismissed or is not reappointed as a member or Chairman of the Management Board in the 12 months following a material change in Schneider Electric's shareholder structure that could change the membership of the Supervisory Board,
- (ii) Mr Tricoire resigns, is dismissed or is not reappointed as a member or Chairman of the Management Board following a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in Schneider Electric's shareholder structure as described above,
- (iii) Mr Tricoire is asked to resign, is dismissed or is not reappointed as a member or Chairman of the Management Board when the mathematical average of the rate of achievement of performance objectives used to calculate his variable bonus was 50% or higher in the four full financial years preceding his departure (or, if he has been a member and Chairman of the Management Board for less than four years, in the number of full financial years since his appointment).

Payment of compensation will depend on the mathematical average of the rate of achievement of performance objectives used to determine the variable portion of Mr Tricoire's remuneration for the three full years preceding the date of the Board meeting at which the decision is made.

If the mathematical average is:

- less than 50% of the target: no compensation will be paid,
- equal to 50% of the target: he will receive 75% of the maximum amount,
- equal to 100% of target: he will receive 100% of the maximum amount,
- between 50% and 100%, he will receive between 75% and 100% of the maximum amount calculated on a straight-line basis depending on the rate of attainment.

To date, the achievement rate of Group performance objectives for the previous three financial years is, on average, 138.6%. These objectives were based on the Group's overall performance (operating margin, organic growth, cash generation ratio and customer satisfaction rate);

- 3°) is bound by his non-compete agreement should he leave the Company, unless a mutually agreeable arrangement is found; the agreement is for a period of one year and is remunerated (60% of target remuneration: fixed and variable);
- 4°) will retain all of the stock options, stock grants and performance stock grants allocated or to be allocated to him should he leave the Company. The performance condition is defined as follows; the average rate of attainment of the Group targets that determine Jean-Pascal Tricoire's variable remuneration calculated for the last three financial years at the time of his departure, which figure should be at least 50% of target.

Travel and business expenses for Jean-Pascal Tricoire are assumed by the Group, as well as the costs of his new professional and personal organization and any related extra expenses. He may use the chauffeur-driven Company cars made available to Group Senior Management and also has the use of a Company car. This benefit in kind is estimated at EUR3,197.

The Supervisory Board on February 21, 2012 decided to renew the appointment to the Management Board that terminates on May 2, 2012 for a further period of three years. On this occasion, it adapted the benefits granted to Jean-Pascal Tricoire as part of his functions as a corporate officer. The Annual Shareholders' Meeting of May 3, 2012 is called upon to approve these (see pages 261-262, 265 and 266).

Emmanuel Babeau

Under his service contract with Schneider Electric Industries SAS, Emmanuel Babeau is covered by the top-hat pension plan for senior executives in France (see above) and is also entitled to a termination benefit should the employer terminate the contract or if, following a significant change in equity ownership, he decides to terminate. This termination benefit, including the benefit provided for in the industry collective bargaining agreement (*Convention Nationale des Ingénieurs et Cadres de la Métallurgie*), is capped at two years of his target annual compensation (salary plus target variable bonus).

Should Mr Babeau leave the Company for any reason, the Company may evoke the non-compete agreement in his service contract and the provisions of the industry collective bargaining agreement (*Convention Nationale des Ingénieurs et Cadres de la Métallurgie*), which call for monthly payment of an amount equivalent to 50% to 60% of the average monthly compensation for the last twelve months of presence (salary plus paid bonus). This payment is due for one year, renewable once.

Mr Babeau's travel and entertainment expenses are reimbursed by the Company. He may use the chauffeur-driven company cars made available to Group Senior Management and also has the use of a Company car. This benefit in kind is estimated at EUR5,517.

Compensation paid to members of Senior Management other than Management Board members

Senior Management

The Senior Management team consists of the Management Board, assisted by the Executive Committee. The 14 member Executive Committee is chaired by the Chairman of the Management Board. In addition to the members of the Management Board, it comprises:

- the Executive Vice-Presidents of the Global Functions: Information Systems, Marketing, Strategy & Innovation, Global Human Resources and Industrial Operations;
- the Executive Vice-Presidents of the businesses: Power Global & EMEAS*, Power North America & Buildings, Power Asia Pacific, Industry, Energy, IT and Custom Sensors & Technologies.

Senior Management compensation in 2011

In 2011, gross compensation, including benefits in kind, paid by group companies to members of Senior Management other than the Management Board members amounted to EUR12,069,456, including EUR4,984,231 in variable remuneration for the 2010 financial year. Group objectives for the financial year in question were:

- organic growth;
- operating margin;
- cash flow;
- customer satisfaction and dissatisfaction.

Performance shares and SARs

The data below has been adjusted to reflect two-for-one share split that took place on September 2, 2011. As part of the annual long-term participation schemes:

- Allocation of December 2010 for the 2011 financial year

On December 17, 2010, members of Senior Management other than Management Board members were allocated (for the 2011 financial year) a total of:

- Performance shares (French residents): 29,000 shares under plan 10;
- Stock grants (non-residents): 88,000 shares under plan 11;
- SARs (US citizens or residents): 190,000 SARs.

All of the options and stock grants are subject partially (50%) to performance criteria.

- Allocation of December 2011 for 2012

On December 16, 2011, members of Senior Management other than Management Board members were allocated (for the 2012 financial year) a total of:

- 12,500 stock grants under plan 13 for residents of France;
- 120,250 stock grants under plan 14 for non-residents of France;
- 210,000 SARs for US residents or citizens.

100% of these allocations are subject to performance criteria.

As of December 31, 2011, Members of Senior Management other than Management Board members thus held:

- 676,854 stock options including 124,400 subject to the attainment of Group performance criteria;
- 744,440 SARs including 431,360 that are conditional;
- 338,682 performance shares including 235,716 that are conditional.



* EMEAS = Europe, Middle-East, Africa and South America.

Transactions in Schneider Electric SA shares by senior management and corporate officers in 2011

Transactions disclosed in application of article 621-18-2 of the French Monetary and Financial Code

Date	Name	Transaction type	Unit price ⁽¹⁾	Total transaction amount
June 28, 2011	Henri Lachmann	Exercise of stock options	€27.77	€1,666,500
July 12, 2011	Henri Lachmann	Subscription via FCPE	€47.69	€75,000
July 12, 2011	Claude Briquet	Subscription via FCPE	€47.69	€2,400
July 12, 2011	Claude Briquet	Subscription via FCPE	€47.69	€4,786
July 12, 2011	Emmanuel Babeau	Subscription via FCPE	€47.69	€6,465
July 12, 2011	Jean-Pascal Tricoire	Subscription via FCPE	€47.69	€3,000
July 12, 2011	Jean-Pascal Tricoire	Subscription via FCPE	€47.69	€210,395
August 29, 2011	Dominique Sénéquier	Share purchase	€45.24	€22,870
August 29, 2011	Betsy Atkins	Share purchase	\$65.62	\$32,808
September 1, 2011	Jeong Kim	Share purchase	€46.77	€23,415
November 15, 2011	Natural person connected to Serge Weinberg	Share purchase	€39.90	€9,974
November 15, 2011	Natural person connected to Serge Weinberg	Share purchase	€39.90	€9,974
December 12, 2011	Willy Kissling	Share transfer	€40.38	€1,615
December 12, 2011	Willy Kissling	Share transfer	€40.37	€30,318
December 12, 2011	Willy Kissling	Share transfer	€40.38	€35,252

(1) Data adjusted to reflect two-for-one share split that took place on September 2, 2011.

> 9. Regulated Agreements

At its meeting of January 6, 2006, the Board of Directors authorised the signature of a shareholders' agreement between AXA and Schneider Electric SA. The agreement calls for the continuation of stable cross-shareholdings between the two groups. In particular, Schneider Electric SA undertakes to hold no less than 8.8 million AXA shares, or 0.4% of AXA's capital, while AXA undertakes to hold no less than 2.6 million Schneider Electric SA shares or 1% of Schneider Electric SA's capital. Each group also holds a call option that may be exercised in the event of hostile takeover. This agreement, which was entered into for a period of one year and renewable tacitly each year for one year was approved by the Annual Shareholders' Meeting of April 26, 2007. On December 22,

2011 AXA and Schneider Electric informed the AMF that they had decided not to renew this agreement. It will therefore cease in its effects on the date dictated by the contract, i.e. May 15, 2012. This cancellation has been made public by the AMF on December 27, 2011.

As Jean-Pascal Tricoire agreed to resign from his employment contract with the Schneider Electric Group (where he has 22 years' seniority) when his term as Chairman of the Board expired on May 2, 2009, the Supervisory Board defined his new status with his agreement. His new status took effect on May 3, 2009 and was

approved by the Shareholders' Meeting. Under this agreement, set out on pages 130 Jean-Pascal Tricoire:

- benefits from the Top-hat Pension Plan for Schneider Electric senior executives, the Schneider Electric SA employee benefit plan and the supplementary health, disability and death coverage available to the Group's senior executives;
- is bound by a non-compete agreement;
- is entitled to compensation in the event of termination, capped at 24 months of his target remuneration taking into account compensation provided for in the non-compete agreement described above and provided that he resigns, is dismissed or is not re-appointed following a material change in Schneider Electric's shareholder structure or a re-orientation of the strategy pursued and promoted by him until that time;
- retains, subject to performance criteria, all unvested stock options, stock grants and performance stock grants should he leave the Company.

At its meetings of April 23 and December 17, 2009, the Supervisory Board agreed that Emmanuel Babeau would continue to benefit from the top-hat pension plan for senior executives provided under his employment contract with Schneider Electric Industries SAS. The Shareholders' Meeting of April 22, 2010 approved this benefit.

On February 21, 2012 the Supervisory Board gave the Management Board authorisation to change the Top-hat Pension Plan for the Schneider Group's directors to comply with the AFEP/MEDEF recommendations that provide for progressive acquisition of rights according to length of service. It has also given authorisation for Management Board members to benefit from the modified plan (see pages 260, 261 and 265).

The Supervisory Board decided to renew the Management Board on expiry of its appointment on May 2, 2012 for a further period of three years. As a result, and pursuant to the TEPA act, the Supervisory Board decided to renew the sections of the articles of association relating to Mr Jean-Pascal Tricoire. These remain unchanged under the following conditions:

- the benefit of supplementary sickness, incapacity, disability and death coverage available to the Schneider Electric's senior executives is subject to performance criteria;
- compensation in the event of termination is not capped at twice the target remuneration (fixed and variable target), but at twice the mathematical average of the effective annual remuneration (fixed and variable) for the last three years (see pages 261-262, 265-266).



> 10. Internal control and risk management**

10.1 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 Senior Management;
- the proper functioning of the Company's internal processes, notably as concerns asset preservation;
- the reliability of financial reporting;

more generally, internal control helps the Group manage its businesses, run efficient operations and use its resources efficiently.

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

Scope of this report

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

Jointly controlled entities 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).

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 France's *Autorité des Marchés Financiers* (AMF).

The 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 organisation 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.

10.2 Internal control organisation and management: key participants

In 2011, the Group's organisational chart rests on Senior Management, of Global Functions, of Operating Divisions; defined in terms of businesses, geographical location, logistical or industrial responsibility.

The Group's corporate governance bodies supervise the development of the internal control and risk management systems. The Audit Committee has particular responsibility for monitoring the system's effectiveness (see Committees of the Supervisory Board, Chapter 3 § 4).

Each manager is responsible for monitoring internal control in his or her area, at the different levels of the organisation, as are all key internal control participants, in accordance with the tasks described below.

Senior Management

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

It also monitors the Group's performance, during quarterly 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 quarterly review.

Internal Audit Department

The Internal Audit Department reports to Senior Management. It had an average staff of 13 people in 2011. The internal auditors are responsible for ensuring that, at the level of each unit:

- risks are appropriately identified and managed;
- significant financial, management and operating information is accurate, reliable and timely;
- employees' actions are in compliance with the Group's policies, standards, procedures and the applicable laws and regulations;
- instructions issued by Senior Management are effectively applied;
- resources are acquired economically, used efficiently and protected adequately.

Annual internal audit plans are drawn up based on risk and control concerns identified by Senior Management, taking into account the results of past audits, the work performed by the external auditors and the results of internal control self-assessments returned by the units. When necessary, the audit plan is adjusted during the year to include special requests from Senior Management. These missions, which are not included in the initial audit plan, help the Group detect potential cases of fraud.

The internal audit process is described in Section 5 below.

After each internal audit, a report is issued setting out the auditors' findings and recommendations. Measures are taken to monitor

implementation of recommendations and specific audits are conducted if necessary.

The audit reports and the implementation of its recommendations are distributed to Senior Management and to the Audit Committee.

The external auditors also have access to the reports.

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 in line with the recommendation of the AMF reference framework;
- maintaining and leading a network:
 - a network of internal business controllers in the Operating Divisions, with responsibility for defining Key Internal Controls and ensuring their use in the operating units within their scope – notably through training sessions and annual self-assessments,
 - internal regional controllers to carry out training in the entities and on-site control of the accuracy of self-evaluations and the efficiency of the remediation plans implemented as a result of the previous year's self-evaluations, by the entities coming within their geographic scope. After each internal audit, a report is issued setting out findings and recommendations for the attention of the persons in charge of the entity audited,
 - the internal controllers in the Operating and Regional Divisions, in their respective assignments, act in close cooperation using standardised methods;
- analysing and critically reviewing the results of these self-assessments to identify areas that require an action plan at the Group, Operating Division or Global Function level;
- leading the Internal Control Committee, comprising internal controllers from the Operating and Regional Divisions, as well as internal control correspondents from the Global Functions. The Committee members work to improve internal control and adapt procedures in light of the results of self-assessments and changes in the business environment or organisation.

Finance and Control – Legal Affairs Department

The Finance and Control – Legal Affairs Department is actively involved in organising 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;
- organising period-end closing procedures;

- analysing performance and tracking the achievement of targets assigned to the operating units.

The Management Control and Accounting unit is responsible for:

- the proper application of Group accounting principles and policies;
- the integrity of the consolidation system database;
- the quality of accounting processes and data;
- training for finance staff in the form of specific seminars;
- drafting, updating and distributing the necessary documents for producing quality information.

The unit drafts and updates:

- a glossary of accounting terms used in the reporting package, 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 in the consolidation system;
- a Group reporting procedures manual and a system user's guide;
- a manual describing the procedures to be followed to integrate newly acquired businesses in the Group reporting process;
- an intercompany reconciliation procedure manual;
- account closing schedules and instructions.

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

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

The Treasury Department centralises nearly all of the Treasury and Financing management of the Group, and centralises or audits the Treasury of the Group. In addition it distributes rules for financial risk management and payments security.

The Corporate Treasury Center also reviews balance-sheet changes and financial risks facing the Group's companies on an annual basis during formal financial review meetings.

Procedures for managing financial risk are described in "Risk Factors".

Operating Divisions and operating units

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

All Group units report to one of the Operating Divisions, which are headed by an Executive Vice-President, supported by a financial controller.

The Executive Vice-Presidents of the Operating Divisions sit on the Executive Committee, which is chaired by the Chairman of the Management Board. The financial controllers report to the Internal Audit and Internal Control Departments.

Within each division, the management team organises 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 transactions of the Divisions and businesses on a monthly basis.

The Operating Divisions have teams of internal controllers who organise training on Key Internal Controls for the units within their scope and analyse the quality of the internal control self-assessments (including ratings and action plans) returned by the units.

They detect internal control issues that require action plans in some or all of the units under their responsibility. They also identify units that need specific assistance and either implement or oversee the implementation of the appropriate support.

They carry out monitoring of the remediation plans drawn up at the time of the self-evaluations and control assignments on site.

Lastly, the internal control teams offer suggestions for enhancing and updating the Key Internal Controls.

Global Functions (Human Resources, Purchasing, Manufacturing, Supply Chain, Information Systems, etc.)

Schneider Electric centralises decision-making and risk management at the corporate level through specific bodies such as the Group Acquisitions Committee (see "Risk Factors"), by combining certain functions within the Finance and Control – Legal Affairs Department (see above) and through dedicated Global Functions.

An Innovation and Technology Council meets eight times per year to ensure cross-functional coordination among the Global Function for innovation and new products.

The Human Resources Department is responsible for deploying and ensuring the application of procedures concerning employee development, occupational health and work safety.

The Purchasing Department is responsible for establishing guidelines concerning purchasing organisation and procedures; relationships between buyers and vendors; and procedures governing product quality, service levels, and compliance with environmental standards and Group codes of conduct.

The Global Functions also issue, adapt and distribute policies, target procedures and instructions to units and individuals assigned to handle specific duties.

The Global Functions have internal control correspondents who work with the Internal Control Department to establish and update the Key Internal Controls deployed across the Group.

They analyse the results of self-assessments concerning the Key Internal Controls that fall within their Function's scope, identify internal control issues that require action plans and either implement or oversee the implementation of these plans.



10.3 Distributing information: benchmarks and guidelines

The main internal control benchmarks are available to all employees, notably on the Group intranet. The Global Functions send updates of these Registration 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 intranet portal to inform users about publications or updates.

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

Principles of Responsibility

The Principles of Responsibility, initially published in 2002, were updated in 2009.

Translated into all the languages used within the Group, given to all new employees and available on the Group's intranet, they are designed to guide employees in their decisions and actions. They define the Group's essential values and set out individual responsibility in respect of these values. They also set out the interrogation and alert procedures.

A Committee on Ethics and Responsibility has been set up, and correspondents appointed to steer action in this area, to make updates and to validate changes. The Committee also answers employee questions that are not addressed in the companion guide to the Principles of Responsibility, or that employees' own managers are unable to answer. (see "Sustainable development framework", Chapter 2 Section 2). In 2011, Internal Audit carried out an assignment aimed at assessing the deployment of the Principles of Responsibility as well as the adequacy of the information and training resources with managers and employees.

Insider code

This code sets out the rules to be followed by management and employees to prevent insider trading. It imposes an obligation of confidentiality on all employees who have access to confidential information and sets permanent restrictions on purchases and sales of Schneider Electric SA shares by persons who have access to price-sensitive information in the course of their work (see "Organisational and operating procedures of the Supervisory Board", Chapter 3 § 2).

International internal auditing standards

The Schneider Electric internal auditors are 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 1606/2002.

The Group applies IFRS as adopted by the European Union as of December 31, 2011.

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, prudence, completeness, comparability, relevance and intelligibility.

The application of Group accounting principles and methods is mandatory for all Group entities, for management reporting and statutory consolidation.

IFRS guidelines are available on the intranet, along with training modules covering the more technical aspects.

Commitment limits and authorisations

Commitment limits have been set for executives from Group level down to the individual units.

Thus, product purchase and sale contracts may only be signed by, or with the authorisation of, operations correspondents who benefit from ad-hoc authorisations which, in turn, are granted by their managers. Within this organisational framework, Business executives have the power to authorise the signature of product or service, purchase or sale contracts covering up to EUR10 million. Moreover, they enable their collaborators to authorise smaller amounts which they consider appropriate for the signature of such contracts.

Moreover, all transactions that may affect the Group's fundamental interests, due to their size or nature, must be authorised in advance by the Management Board or, in some cases, by the Supervisory Board. This rule applies in particular to all transactions affecting the scope of consolidation, purchases and sales of strategic assets, trademarks and patents, and off-balance sheet commitments.

Statutory and management reporting principles

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

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

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

Key Internal Controls

A list of Key Internal Controls was drawn up in 2008 and is expanded annually. Its 114 items cover:

- the control environment (Principles of Responsibility, Delegation of Powers, Separation of Functions, Business Continuity Plans and Retention of Records);

- operating processes (purchases, sales, inventories, etc.);
- accounting and financial cycles;
- Human Resources, IT, Legal and Tax cycles.

The Key Internal Controls are available to all units on the Group intranet, along with appendices with more detailed information, links to full policy descriptions on the Functions' intranets, an

explanation of the risks covered by each Key Internal Control and a self-assessment guide.

For each cycle, the Key Internal Controls cover compliance, reliability, risk prevention and management and process performance. The operating units fill out self-assessment questionnaires concerning the Key Internal Controls.

10.4 Risk identification and management

General risks at the Group level

The Internal Audit Department interviews the Group's 55 top managers to update the list of general risks at the Group level each year. The risks identified through these interviews are ranked by impact and probability of occurrence. The threat/opportunity aspect of each risk is also taken into account.

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.

Half of the major and general risks identified at end-2010 were addressed in audits carried in 2011 to assess action plans for managing and reducing risks.

Operating risks at the unit level

Operating risks are managed first and foremost by the units in liaison with the Operating Divisions, based on Group guidelines (notably the Key Internal Controls). Each subsidiary is responsible for implementing procedures providing an adequate level of internal control.

The Operating Divisions implement cross-functional action plans for operating risks identified as being recurrent in the units or as having a material impact at the Group level. The internal control system is adjusted to account for these risks as needed.

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

Risk Solutions

The Risk Solutions Management Department, defines and implements principles and tools designed to manage these risks;

In 2011, a network of Solution Risk managers was set up to assess the risks inherent in all major projects. The rules for entering into agreements and adopting solutions in projects were updated.

Risk management by the Risk and Insurance Department

The Risk and Insurance Department contributes to internal audits by defining and deploying a Group-wide insurance strategy, as defined in "Risk Factors and Insurance Strategy." The insurance strategy includes the identification and assessment of the main insurable risks and defines and recommends measures to prevent these risks and protect assets.

Risk management by the Safety Department

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

In this respect and in close cooperation with the Risk and Insurance Department, it is directly involved in assessing the nature of such risk as well as defining adequate prevention and protection measures.

The Security Department publishes internally a table of "Country Risks" for use in security procedures that are mandatory for people travelling, expatriates and local employees. On request it provides support to local teams for any security issues (site audit, expatriates or local employee security, security whilst on assignments, etc.).

It brings its methodology to develop emergency plans (Evacuation plans, Crisis management plans, Business continuity plans, etc.) and ensures coordination of the Corporate Crisis Team (SEEECC - Schneider Electric Emergency Coordination Center) each time that it is activated.

The Security Department is integrated in the "Fraud Committee" alongside the Internal Audit Department and the Legal Department and gets involved in combatting internal fraud (managing and carrying out internal investigations).

Management of information system risks

An IT Security unit within the Information, Process and Organisation Department defines and implements specific security policies for information systems.

This department has specific skills in auditing the security of IT systems. After each site audit, a report is issued setting out findings and recommendations for the attention of the persons in charge of the entity audited.



10.5 Control procedures

This section describes specific measures taken in 2011 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 2011 for those involved for the first time in the annual self-evaluation process: newly promoted managers and entities recently integrated. Operational units, trained by their line management undertook self-evaluation of compliance with the Key Internal Controls governing their scope of operations.

The self-assessments conducted during the 2011 campaign covered 90% of consolidated revenue and made it possible to define improvement plans in the operating units, when necessary. The ultimate goal is that these evaluations should cover at least 90% of consolidated revenue each year.

The self-assessments are conducted in the units by each process manager. Practices corresponding to the Key Internal Controls are described and performance is rated on a scale of 1 (non-compliance) to 4 (very good).

For all responses below 3 (compliance) on the scale, 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.

Operating Divisions and business

To control the reliability of the financial statements and the alignment of performance with set targets, the Group relies on Senior Management's quarterly review process and procedures carried out by the Management Control and Accounting Unit to control the quality of accounting data provided by consolidated units (see "Internal Control organisation and Management – Senior Management" and "Internal control procedures governing the production and processing of accounting and financial information").

In 2011, the Operating Divisions continued to provide training for the operating units on internal control issues and examined and challenged the self-assessments of internal audits of these units. After analysing the results, improvement plans were developed either for certain units or for certain Key Internal Controls at the Division level.

The regional internal controllers carried out audits on site as to the reliability of self-assessments of Internal Control and the efficiency of the remediation plans put in place as a result of the previous year's self-assessments.

Global Functions

In 2011, the Global Functions continued to set guidelines, issue instructions and provide support.

During the year:

- the Company's processes were mapped and each one assigned a "process guarantor" sponsored by a member of the Executive Committee. The key processes for carrying out strategy of Schneider Electric are the subject of particular attention so as to ensure coherence with operational results, IT and organisational resources employed including coherence with internal control demands;
- for the two-year period 2010 and 2011, the IT Security Department carried out 13 audits in units, which gave rise to reports giving conclusions and recommendations for the managers of the units audited. The implementation of recommendations by the units is subject to monitoring. In 2011 particular attention was paid to R&D centres;
- in addition to on-site audits, the security function in 2011 acquired a new skill known as "penetration testing". This skill set allows the vulnerability of websites to be identified and for remedial measures taken to limit the effects on any future attacks. Five sites were audited;
- the Management of Solution Risks Department assists project leaders in risk assessment, the conclusion of contracts for major projects and organisation of validation meetings before submitting proposals;
- in 2011, the Security Department headed up the organisation of a new Group-level crisis room. In addition, by identifying at a global level certain internal competences specific to the area of investigation, it initiated the creation of a new organisation directly reporting to the Fraud Committee that will significantly increase investigation capabilities as regards combatting internal fraud;
- the Corporate Treasury Department continued to roll out its central payment system developed in 2009 and which today covers 60 subsidiaries. Roll out will continue in the years to come. A system of monitoring bank guarantees so as to track commitments is also under development.

Internal Control Department

Internal Control continued to deploy the Key Internal Controls – training and requests for self-assessments – throughout the Operating Divisions, with the scope extended to cover new units: 50% of the deficiencies identified during the 2010 campaign were deemed settled in 2011.

New deficiencies were identified owing to additional Key Internal Controls, which gave rise to further action plans.

Internal Control self-assessments were received and analysed, which identified areas needing work in 2012 as part of the process of continuous improvement.

In addition to the analysis and action plans initiated by the Entities and Operating Divisions, similar work is being carried out in the Global Functions. On the basis of the results obtained in their field, the various functions define and implement improvement actions as needed.

The list of Key Internal Controls continues to grow. In 2011, the Global Functional Department defined Key Internal Controls covering the Bid Creation and Administration process; these controls were self-evaluated by the major Research and Development units.

A software package for the management of Internal Audit and Internal Control self-assessment questionnaires and follow-up action plans will be introduced to replace the “in-house” application used to date.

A regional internal control organisation was introduced in 2011 that consists of 28 regional in-house controllers in three regions, who:

- perform the duties defined under Section 2.3 for the units in their regional scope, covering all Operational Departments;
- establish standardised procedures (e.g. for internal control assignments such as control cycles, documentation, scope definition, work programs etc.), in line with Internal Audit-procedures.

Internal Audit Department

In addition to fine-tuning the general risk matrix and performing audits to ensure these risks are managed properly, the Internal Audit Department:

- monitors and reviews the way that Key Internal Controls are applied;
- critically reviews the audited unit's internal control self-assessment and related action plans.

The Department's audit assignments go beyond the Key Internal Controls, and include an in-depth review of processes and their effectiveness, focusing on compliance and/or performance, depending on the size of the audited unit and the identified risks and challenges.

The internal auditors also review newly acquired units to assess their level of integration and ensure that Group rules and guidelines are properly applied.

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 2011, Senior Management ordered unscheduled audits on emerging risks that led to the revision of certain internal procedures.

In 2011, the internal auditors performed 22 audits, including:

- full audits of medium-sized units;
- audits of a number of risks or operating processes;
- post-acquisition audits for newly acquired companies;
- analyses of control self-assessments by the units;
- follow-up audits to ensure recommendations are applied;
- assistance assignments.

10.6 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;

Committee on Ethics and Responsibility

The Committee on Ethics and Responsibility steers action in relation to the Principles of Responsibility, updates them and validates changes. It also answers employee questions that are not addressed in the companion guide to the Principles of Responsibility, or that employees' own managers are unable to answer.

(see “Sustainable development framework”, Chapter 2 Section 2.)

Fraud Committee

In 2010, the Fraud Committee formalised the policy against fraud and the process of reporting and treating fraud and suspected fraud, including changes in procedures or practices to avoid recurrence.

Declared incidents are monitored by the Fraud Committee, which meets on a monthly basis. The Fraud Committee decide on investigations that are managed either by the local units or centrally by the Fraud Committee depending on the nature and the seriousness of the incident. A report is written and updated monthly for this purpose. The Fraud Committee presents an annual summary report to the Audit Committee.

2011: stronger internal control system

In 2011, further efforts were made to improve the identification and control of general risks, to step up periodic reviews of results and performance, and to enhance auditing practices. The year was marked, for the internal control system, by the items set out above, in particular:

- the Fraud Committee's procedures were defined and implemented for investigation and analysis of the identified incidents of fraud;
- regional internal control units were set up in an internal control system covering three levels: management, regional internal control and internal audit;
- a dedicated software package for the management of self-assessment questionnaires and follow-up action plans will be ushered in to replace the “in-house” application used to date;
- internal control self-assessment questionnaires were sent out to cover 90% of the Group's consolidated revenue (training managers in internal control practices, defining and implementing remedial action plans if needed) including units from the acquisition of Areva Distribution;
- administrative measures were pursued regarding segregation of duties in the information systems.



The Management Control and Accounting unit is tasked with overseeing:

- the quality of reporting packages submitted monthly by the subsidiaries;
- the results of programmed procedures;
- the integrity of the consolidation system database.

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 consolidation adjustments for the period can be calculated in advance;
- the scope of consolidation is determined and, in cooperation with the Legal Affairs Department, the Group's interest and the type of control (exclusive control, joint control, significant influence) of each subsidiary, determined on the basis of the consolidation method;
- instructions are issued for the closing process, including reporting deadlines, required data and any necessary adjustments;

- the Group's consolidated financial statements are analysed in detail, to understand and check the main contributions by subsidiaries, as well as the substance of transactions reflected in the accounts;
- accounting classifications are verified, in particular the preparation and approval of the statement of changes in equity and the cash flow statement being the key control points.

Internal control procedures confirm the existence and value of assets and liabilities. To this end:

- each subsidiary is responsible for implementing procedures providing an adequate level of internal control;
- internal control procedures generally consist of defining levels of responsibility for authorising and checking transactions, and segregating tasks to help ensure that all transactions are justified. In addition, integrated statutory and management reporting systems have been developed to guarantee the completeness of transaction data recorded in the accounts;
- all of the subsidiaries apply International Financial Reporting Standards (IFRS) with regard to recognition principles, measurement and accounting methods, impairment and verification;
- the Management Control and Accounting unit performs checks and analyses.

10.7 Report of the Statutory Auditors on the internal control procedure

Statutory Auditors' Report, prepared in accordance with article L. 225-235 of French Commercial Code (Code de commerce), on the report prepared by the Chairman of the Supervisory Board of the Company Schneider Electric S.A.

This is a free translation into English of a report issued in French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of Schneider Electric S.A. and in accordance with article L. 225-235 of French Commercial Code (Code de Commerce), we hereby report on the report prepared by the Chairman of your Company in accordance with article L. 225-68 of French Commercial Code (Code de Commerce) for the year ended December 31, 2011.

It is the chairman's responsibility to prepare and submit for the supervisory board's approval a report on the internal control and risk management procedures implemented by the company and to provide other information required by article L. 225-68 of French commercial code (Code de commerce) relating to matters such as corporate governance.

Our role is to:

- report on the information contained in the chairman's report in respect of the internal control and risk management procedures

relating to the preparation and processing of accounting and financial information;

- confirm that the report also includes other information required by article L. 225-68 of French commercial code (Code de commerce). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with French professional standards.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based, and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we would have noted in

the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the chairman of the Supervisory Board in accordance with article L. 225-68 of French Commercial Code (Code de Commerce).

Other information

We confirm that the report prepared by the chairman of the supervisory board also contains other information required by article L. 225-68 of French Commercial Code (Code de Commerce).

Courbevoie and Paris-La Défense, March 21, 2012

The Statutory Auditors

French original signed by

Mazars

David CHAUDAT

Ernst & Young et Autres

Yvon SALAÜN

> 11. Application of the AFEP/MEDEF corporate governance guidelines**



Schneider Electric applies the AFEP/MEDEF corporate governance guidelines with the following exceptions:

Recommendation	Schneider Electric practice
Deadline for Audit Committee review of the financial statements The Audit Committee should review the financial statements at least two days before they are reviewed by the Board.	At Schneider Electric, the Audit Committee which reviews the Financial Statements meets after the Management Board meeting that approves the Financial Statements and the day before the Board Director's meeting. However, the Committee members receive a meeting file with the draft Financial Statements four to five days before the meeting.
Compensation and benefits paid to corporate officers Fixed salary should be revised only after a relatively long period, such as three years.	The Management Board members' fixed salary is revised each year. When Jean-Pascal Tricoire became President and CEO, his compensation was not (and still is not) aligned with that of CEOs of comparable companies. The Board decided to reduce the gap gradually through annual salary revisions after reviewing Mr Tricoire's performance.
Top-hat pension plan The increase in potential rights should correspond to a limited percentage of the beneficiary's compensation.	Under the Top-hat Pension Plan for the Group's Senior Management (see page 125), most rights are acquired at the outset. However, the plan complies with the recommendation's intention, given that: <ul style="list-style-type: none"> the rights are capped at 25% of average compensation; current members still have many years of service to perform before they can benefit from the plan. The Supervisory Board authorised the Management Board to change this plan to conform with the AFEP/MEDEF recommendations (see pages 260-261 and 265)



4 Business review

1. Trends in Schneider Electric's core markets	144
2. Review of the consolidated financial statements	146
3. Review of the parent company financial statements	150
4. Review of subsidiaries	150
5. Outlook	150

> 1. Trends in Schneider Electric's core markets

Industries and machine manufacturers

The industry and machine manufacturers markets continued to grow significantly in 2011, in the continuity of the sharp rebound experienced since the economic cycle trough in May 2009.

The dynamics during the year changed though, from a buoyant start of year, somewhat amplified by the Fukushima earthquake (customers anticipating orders for fear of electronic components shortages), towards a weaker second semester, when the OEMs (original equipment manufacturers) sector in North East Asia (China, Korea, Taiwan, Japan) was affected by the tight credit policy led by China government to curb inflation. However, China infrastructure and mining sectors continued to grow.

Investments in Western Europe were as well impacted in the second part of the year, due to the uncertainty generated by the sovereign crisis, while the US markets enjoyed a relative resilience, notably in the last four months of the year.

Beyond these regions, very positive evolution of emerging markets, such as South and Central Americas, Russia, South East Asia, driven by water and mining investments.

The political events in the Mediterranean countries affected the investments and projects, notably those linked to Water (Egypt, Lybia). In the rest of the world, the standardization of the water treatment plants and a more comprehensive management of the whole water cycle in large urban environments sustained the investments.

The mining, minerals and metals sectors grew substantially this year, with significant investments in countries such as Brazil, Canada, Russia, and, in the later part of the year, also in Australia, driven both by the increased consumption of raw materials and a concern to control and reduce energy consumption.

Non residential buildings

In the US, non-residential construction declined on an annual basis, but experienced signs of sequential improvement starting during the second semester. Front runners were healthcare, private education, retail and manufacturing buildings. European countries suffered from the sovereign debt crisis and austerity measures. In new economies, the non-residential construction market experienced a dynamic activity generated by the powerful process of urbanisation.

Schneider Electric solutions and services are designed to monitor and control system for buildings efficiency. Our solutions integrate

access control, video surveillance, HVAC, and lighting control on an open standard systems to maximize buildings efficiency by improving the energy consumption and safety of a building.

In 2011, Schneider Electric has reinforced its Building Energy and Occupancy Management offer with the integration of Vizella and D5X. Schneider Electric has also acquired Summit Energy, a Strategic Energy Sourcing leader and Viconics, offering an exciting suite of wireless thermostats.

Residential

In the US, residential construction market sector was negatively impacted notably by low consumer confidence and tight lending conditions. However, starts of multi-family housing has improved throughout the year, from a very weak level.

In the Eurozone, after a harsh fall of output between 2008 and 2010, the residential market has slightly improved in 2011. Note that this trend is characterized by large disparities across countries. On one hand, Iberian countries are still undergoing strong decline in investment and facing high levels of outstanding inventories.

Meanwhile, countries such as France are in an intermediate pace essentially thanks to the support of new housing construction. On the other hand, Germany and Scandinavian countries have been far less affected by the debt crisis with a housing market which is even growing. In Asia Pacific, residential construction was relatively fast growing. In Japan and New Zealand, the end of the year was marked by large flows of reconstruction due to earthquakes destructions. Finally, in new economies, positive demographic and urbanisation trends drove the housing constructions.

Utilities and Infrastructures

Electric power

While emerging economies keep on investing heavily in their grid infrastructures to meet their growth objectives with strong rising demand, mature economies have adjusted their investment plans to deal with aging grid assets and the need to connect more renewable sources, still maintaining or improving their performance in terms of reliability of power supply. As a result, the global electric power market keeps enjoying a steady 4 to 6% growth rate. The momentum towards smart grids is materialized by a growing activity in demonstration pilot projects to test new technologies and associated business models, as well as sustained investment in distribution automation and advanced distribution management systems which offer attractive return on investments for grid operators. Market accelerators such as the increased activity in grid-connected renewables, the roll-out of electric vehicles and the implementation of demand response programs will strengthen the need for new investments world-wide.

Oil and gas

In 2011 Oil & Gas markets have confirmed the recovery engaged in 2010. With more than USD500 billion invested in Exploration &

Production, investment surged by 15% in 2010, and exceeded the level reached pre-crisis in 2008.

Uncertainties caused by the geopolitical tensions in Middle East and North African (Arabic spring) together combined with the sovereign debt turmoil have not altered the confidence of Oil Companies in 2011 who pursued their investment. Those short term uncertainties do not hamper the long term vision where more than 75% of energy demand is supplied by fossil energy.

The Middle East continued to invest to maintain its production capacities (Saudi Arabia) while Iraq fields are promised to large developments to tap its large O&G reserves. In North America investment is sustained by the shale gas and tar sand development.

Schneider Electric has been present in all key O&G geographies and large Oil & Gas companies, as well as major EPC companies, have been Schneider's customer for years. Schneider supplies energy management and control solutions that allow them to improve Energy Management and brings them innovative solution to tap reserves in harsh environment. By complementing its O&G expertise and IT capabilities, the acquisition of Telvent in June 2011 will foster the development of new integrated business solution that will deliver more efficiency to the Oil & Gas infrastructures.

Data centres and Networks

The IT global markets grew at a moderate pace in 2011, impacted in the second half by a slowdown in Europe with an expected spillover into a more cloudy 2012. After strong growth in 2010, x86 server growth was more modest in 2011, primarily supported by Asia and Latin America.

At the same time, the drivers for long term growth remained unchanged with the migration to the Cloud and larger Data Centres where fast growing collocation companies will battle it out with Telcos and IT Outsourcers. Strong ITB customers' in the Collocation segment, with access to capital markets or with the backing of large Private Equity groups, as well as Telcos will continue to operate their

Data Centres at very high utilization and will expand their number of sites on a global basis to meet demand.

Our Data Centre Solutions and Services offerings experienced a strong growth confirming ITB's leadership in those key segments, reinforced further with the integration of Uniflair, Lee Technologies and Viridity. In the fast growing Data Centre Infrastructure Management software segment, Schneider Electric was named a Market Leader by IDC. In the Emerging markets, Schneider Electric strengthened its position in India with the acquisitions of Luminous and APW President.



> 2. Review of the consolidated financial statements

Review of business and consolidated statement of income

Changes in the scope of consolidation

Acquisitions

On January 7, 2011, Schneider Electric announced the signature of an agreement to acquire a majority of the shares in APW President Systems Ltd. which designs and manufactures standard and customized racks and enclosure systems in India, serving in particular information technology and telecom end-users. APW President Systems Ltd. has approximately 380 employees and generated sales of INR1.08 billion (approx. EUR17 million) for the twelve months ending September 30, 2010. With APW President Systems Ltd., Schneider Electric is well positioned to capture opportunities in the fast growing Indian IT infrastructure market as well as in international markets, particularly in Asia Pacific and Middle East. The Group will also be able to tap the talent pool and increase its solutions execution capabilities from server rooms to extra large data centres.

On March 24, 2011, Schneider Electric announced the signature of an agreement to acquire Summit Energy Services Inc., an American company leader in outsourced energy procurement and sustainability services to industrial, commercial and institutional enterprises. It is employing more than 350 individuals and serves client facilities in more than 90 countries. Summit Energy is a fast-growing business, expected to generate sales of approximately USD65 million for the current year. The acquisition of Summit Energy allows Schneider Electric to broaden its energy management services and solution portfolio, offering customers the ability to manage and optimize their energy consumption from the supply side through the demand side, while also growing Schneider Electric's energy and environmental online reporting capabilities.

On March 31, 2011, Schneider Electric announced the signature of an agreement to acquire from Smartlink Network Systems Ltd. the assets of the Indian company DIGILINK business, one of the leading structured cabling systems providers in India. Headquartered in Mumbai, the DIGILINK business has 92 employees and generated sales of about INR1.55 billion (approx. EUR25 million) in calendar year 2010. With this acquisition the Group will be able to gain access to DIGILINK's well-established distribution network in the retail sector which complements its presence in enterprise segments and will generate significant cross-selling opportunities for its Power and IT products.

On April 4, 2011, Schneider Electric announced the signature of an agreement to acquire in the United States Lee Technologies, a leading service provider for the data centres of the North American market. Headquartered in Fairfax, Virginia, Lee Technologies has over 300 employees and generated sales of about USD140 million

(approx. EUR104 million) in 2010. Lee Technologies brings to Schneider Electric capabilities ranging from consulting, site assessment, design, equipment specification and selection to integration, commissioning, facility operations staffing, maintenance and proactive 24x7 remote monitoring. This full repertoire of services will reinforce Schneider Electric's IT business skills in data centre management and its ability to provide data centres, one of the world's fastest growing end-users of energy, with the best standards in energy conservation and reliability.

On May 30, 2011, Schneider Electric announced the signature of an agreement to acquire 74% of Luminous Power Technologies Pvt. Ltd., a market leader in India that provides inverters, UPS and power storage systems to help homes and small and medium sized businesses face frequent power cuts. Luminous is a leading player in the around EUR800 million Indian inverter and power storage market that is growing at more than 20% a year. Luminous has a strong presence in India and employs approx. 3,000 people in eight different industrial sites in India and one in China. It has generated revenues of INR11.0 billion (approx. EUR170 million) for the fiscal year ending March 2011. With Luminous, Schneider Electric will become the leader in the Indian inverters and secured power market and gain access to a complementary retail network.

On June 9, 2011, Schneider Electric announced the signature of an agreement to acquire Leader Harvest Power Technologies Holdings Limited ("Leader & Harvest"), one of the leading players in the fast-growing medium voltage drives market in China. Headquartered in Beijing, Leader & Harvest develops, manufactures and commercialises medium voltage (MV) variable speed drives. The company employs over 750 people and has an extensive inhouse nationwide sales and service support network across 30 provinces. With an annual growth rate in excess of 20% in the past few years, the company is expected to generate sales of approximately USD150 million (approx. EUR100 million) for 2011. Leader & Harvest's range represents an excellent addition to Schneider Electric's industrial automation range of products and solutions. Medium voltage drives are a key element of energy efficient solutions to our key target segments of mining, minerals & metals and water & waste water.

On July 21, 2011, Schneider Electric announced it has entered into a partnership with NVC Lighting Holding Limited ("NVC Lighting") to speed up its market penetration in smaller cities in China via NVC Lighting's well established diffused channels. The partnership will give Schneider Electric an exclusive access to diffused channels and bring forth strong revenue synergies. NVC Lighting has a solid presence in China with broad diffused channels and extensive retail management experience. It has the access to over 3,000 retail outlets, half of which are located in smaller cities and townships.

On July 22, 2011, Schneider Electric announced the signature of an agreement to acquire the Brazilian group Steck Da Amazonia Industria Elétrica Ltda. and affiliates ("Steck Group"), a key player (950 employees, about BRL180 million (approx. EUR80 million) in 2011) in the fast growing final low voltage segment serving the residential and commercial buildings and industries in Brazil. The transaction will enable Schneider Electric to broaden its product portfolio and market access and hence provide an opportunity to expand its presence in new economies, particularly in Latin America.

On June 1, 2011, Schneider Electric announced the signing of a definitive agreement related to the acquisition, through a public offer of Telvent GIT SA ("Telvent"), a leading solution provider specializing in high value-added IT software and solutions for real-time management of mission critical infrastructure in the fields of electricity, oil & gas, water and transportation. By acquiring Telvent, Schneider Electric integrates a high value-added software platform that presents a good fit with its own range in field device control and operation management software for the smart grid and efficient infrastructures. The Group also doubles its overall software development competencies and enhances its IT integration and software service capability, including weather services. Schneider Electric made a cash tender offer for all of Telvent's shares at a price of USD40 per share, which represents a premium of 36% to Telvent's average share price over the last three months. This offer has successfully been completed on August 30, 2011.

Acquisitions and disposals that took place in 2010 and that had an impact on the 2011 financial statements

The following entities were acquired during financial year 2010 and their consolidation on a full-year basis for financial year 2011 had a scope effect compared to financial year 2010:

- Cimac, consolidated as of January 21, 2010,
- Zicom Electronic Security Systems Limited, consolidated as of March 5, 2010,
- SCADA group, consolidated as of April 13, 2010,
- Distribution business of Areva T&D, consolidated as of June 7, 2010,
- Uniflair, consolidated as of November 23, 2010,
- Vizelia and D5X, consolidated as of December 9, 2010.

Changes in foreign exchange rates

Changes in foreign exchange rates relative to the euro had a material impact over the year. This negative effect amounts to EUR229 million on consolidated revenue and EUR32 million on EBITA⁽¹⁾ (effect of conversions only).

Revenue

On December 31, 2011, the consolidated revenue of Schneider Electric totaled EUR22,387 million, an increase of 14.3% at current scope and exchange rates compared to December 31, 2010.

This growth breaks down into 8.3% organic, a contribution of acquisitions net of disposals of 7.3% and a negative exchange rate effect of 1.3%.



Changes in revenue by operating segment

Power revenue (37% of Group revenue), totaled EUR8,297 million on December 31, 2011, an increase of 7.0% on an actual basis and of 7.6% at constant scope and exchange rates. This performance is driven primarily by product business which continued to be supported by global manufacturing and infrastructure markets, launching of new offers and better coverage especially in new economies. Solutions business shows about flat revenue compared to 2010 despite renewable energy revenue was negative, due to the change by some countries in their incentive policies.

Infrastructure revenue (22% of Group revenue), totaled EUR4,897 million on December 31, 2011, an increase of 12.8% on an actual basis (2010 comparative data including EUR1,878 million of Areva D revenues from January 1) and of 7.5% at constant scope and exchange rates. Despite the product business globally flat, the growth in Infrastructure sales is driven by improving demand in solutions business from electro-intensive customers (oil and gas, mining and metals), infrastructure projects in the new economies.

Industry revenue (20% of Group revenue), totaled EUR4,404 million on December 31, 2011, an increase of 10.5% on an actual basis and of 10.4% at constant scope and exchange rates. The product business recorded solid growth, benefiting from the globally well-oriented industrial demand, especially from machine builders

segment in new economies and some export-oriented mature markets, as well as new product launches. The performance of Industry is also boosted by the solutions business, particularly in the areas of OEM solutions, drives systems for mining, oil and gas, and cement sectors, energy efficiency solutions as well as industrial services.

IT revenue (14% of Group revenue), totaled EUR3,237 million on December 31, 2011, an increase of 17.9% on an actual basis and of 10.3% at constant scope and exchange rates. The solutions business grew double-digit, reflecting the strong demand for complete data center projects and services. Products benefited from the good momentum particularly in the region Rest of the World.

Buildings revenue (7% of Group revenue), totaled EUR1,552 million on December 31, 2011, an increase of 10.7% on an actual basis and 4.8% at constant scope and exchange rates. Solution business is supported by strong advanced and installed base services and also security systems and energy efficiency projects in mature countries and in new economies. The low growth in product business is hampered by challenging new constructions market conditions in mature markets.

(1) EBITA (Earnings Before Interests, Taxes and Amortisation of purchase accounting intangibles) corresponds to operating profit before amortisation and impairment of purchase accounting intangible assets from acquisitions, and before goodwill impairment.

Adjusted EBITA by operating segment

Adjusted EBITA is defined as EBITA before Restructuring costs and before Other operating income and expense (of which Acquisition, integration and separation costs).

Power achieved an Adjusted EBITA margin of 21%, this rate is down 0.6 point compared to December 31, 2010.

Infrastructure achieved an Adjusted EBITA margin of 10.4%, stable compared to December 31, 2010 (10.3%).

Industry achieved an Adjusted EBITA margin of 17.7%, down 1 point compared to December 31, 2010.

IT achieved an Adjusted EBITA margin of 16.2%, down 0.4 point compared to December 31, 2010.

Buildings achieved an Adjusted EBITA margin of 9.3%, down 1.3 point compared to December 31, 2010.

Net financial income/loss

Net financial income/loss is a net loss of EUR415 million at December 31, 2011, compared to EUR347 million at December 31, 2010.

Net finance costs totaled EUR301 million, up EUR19 million compared to 2010. This increase is mainly due to a higher net financial debt.

Exchange gains and losses, including the impact of the Group's foreign currency hedges, was a negative effect of EUR40 million in 2011, compared to an income of EUR25 million in 2010.

The financial component of pension plan and other post-employment benefit costs represents a net expense of EUR45 million compared to EUR49 million in 2010.

Finally, other net financial expense, in the amount of EUR37 million, can mainly be explained by bank fees linked to issuance or settlement of credit lines.

Tax

The effective tax rate at December 31, 2011 was 23.1% compared to 24.0% at December 31, 2010.

Share of profit/(losses) of associates

The share of profit/losses of associates represents income of EUR28 million at December 31, 2011. It principally comprises the share in net income of Electroschild-Samara in Russia (EUR14 million) and the Fuji Electric joint venture in Japan (EUR12 million).

Non-controlling interests

Minority interests in net income for financial year 2011 totaled EUR84 million, compared to EUR76 million in 2010. This represents the share in net income attributable mainly to the minority interests of certain Chinese companies.

Profit for the period

Net income for the period attributable to the equity holders of the parent company amounted to EUR1,820 million, a EUR100 million increase over 2010 (EUR1,720 million).

Earnings per share

Earnings per share (taking into account the division of the nominal value of the shares by two, effective on September 2, 2011) amounted to EUR3.39 in 2011 compared with EUR3.30 in 2010.

Review of balance sheet and cash flow statement items

Total consolidated balance sheet amounted to EUR35,886 million as at December 31, 2011, up 15.6% compared with December 31, 2010. Non-current assets amounted to EUR22,540 million or 63% of total assets.

Goodwill

Goodwill amounted to EUR12,773 million or 36% of total assets, up by EUR2,560 million compared with December 31, 2010.

The Group's acquisitions – mainly comprising Areva Distribution – in 2011 accounted for EUR2,356 million of the increase. Changes in foreign exchange rates accounted for EUR142 million of the increase.

The Group's impairment tests did not lead to the recognition of any additional impairment losses during the period.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets amounted to EUR7,277 million or 20% of total assets, up 10% compared with December 31, 2010.

Intangible assets

Trademarks amounted to EUR2,529 million at December 31, 2011, an increase of EUR103 million compared with December 31, 2010 mainly as a result of acquired entities Telvent, Steck and Luminous and foreign exchange differences.

Gross capitalised development costs totaled EUR1,292 million (EUR809 million net), including the capitalisation of costs for current projects in an amount of EUR217 million.

Other intangible assets, net, consisting primarily of customer relationships recognised on acquisition, software and patents, increased by EUR252 million over the year primarily due to the EUR436 million of intangible assets recognised in the balance sheet following the acquisition of Telvent, Leader & Harvest and Summit Energy.

Property, plant and equipment

Net property, plant and equipment came to EUR2,573 million, an increase of EUR236 million compared with December 31, 2010.

Investments in associates

Investments in associates amounted to EUR489 million, a steep rise compared to the balance of EUR42 million as at December 31, 2010.

Non-current financial assets

Non-current financial assets totaled EUR557 million. They mainly comprised listed equity investments (mainly AXA and NVC Lighting shares) for EUR191 million and potential assets linked to acquisitions.

Cash and net debt

Net cash provided by operating activities before changes in operating assets and liabilities came to EUR2,579 million versus EUR2,534 million in 2010, and represented 11.5% of revenue compared with 12.9% the year before.

Change in working capital requirement consumed EUR327 million in cash, reflecting the increase in inventories generated by the corresponding rise in revenue.

In all, net cash provided by operating activities totalled EUR2,252 million in 2011 compared with EUR2,262 million in 2010.

Net capital expenditure, which includes capitalised development projects, represented an outlay of EUR746 million, or 3.3% of revenue, compared with EUR528 million, or 2.7% in 2010.

The year's acquisitions represented a cash outflow of EUR2,873 million in 2011 compared to 1,754 million in 2010, net of cash acquired. Numerous acquisitions took place in 2011, such as Telvent, Leader & Harvest, Luminous, Summit Energy, Steck and Digilink; the main acquisition of 2010 was Areva Distribution for EUR1,208 million.

There was no sale of treasury stock in 2011 when the sale of treasury stock in 2010 generated a net cash inflow of EUR249 million. Dividends paid totaled EUR925 million, of which EUR69 million to minority interests. This is an increase compared to EUR241 million paid in 2010 (out of which EUR46 million to minority interests), as a result of an increase in the dividend per share that was entirely paid in cash (when part of it was paid in shares in 2010).

Net debt at December 31, 2011 totaled EUR5,266 million or 32.7% of equity attributable to equity holders of the parent. This represents an increase of EUR2,530 million from the year before with the purpose of financing 2011 acquisitions.

The Group ended the year with cash and cash equivalents of EUR2,771 million, of which EUR1,515 million in cash, EUR634 million in marketable securities and EUR622 million in short-term negotiable instruments such as commercial paper, money market mutual funds and equivalents.

Total current and non-current financial liabilities amounted to EUR8,037 million. Of this, bonds represented EUR5,540 million and non-current bank loans EUR1,464 million. Five new bond issues, in

an aggregate amount of EUR1,692 million, were launched in 2011, while EUR500 million worth of bonds were redeemed at maturity.

Equity

As at December 31, 2011 equity attributable to equity holders of the parent company came to EUR15,898 million, or 44% of the balance sheet total. The EUR1,113 million increase over the period was the net result of the following:

- profit for the year of EUR1,820 million,
- payment of the 2010 dividend in an amount of EUR856 million,
- actuarial losses on defined benefit plans of EUR275 million,
- foreign exchange differences in an amount of EUR159 million,
- share issues for EUR178 million,
- the exercise of stock options for EUR51 million,
- disposal of own shares for EUR38 million.

Minority interests amounted to EUR192 million, down EUR12 million compared with December 31, 2010 as a net effect of the EUR84 million profit for the year, the dividend payments of EUR69 million and various negative items for EUR27 million.

Provisions

Current and non-current provisions totaled EUR3,363 million, or 9% of the balance sheet total, of which EUR960 million covered items that are expected to be paid out in less than one year. This item primarily comprises provisions for pensions and healthcare costs in an amount of EUR1,723 million. The EUR219 million increase over the year corresponds mainly to actuarial variances, linked to the decrease of discount rates.

Other provisions excluding employee benefits totaled EUR1,640 million at December 31, 2011. These provisions cover economic risks (tax risks, financial risks generally corresponding to seller's warranties) for EUR739 million, product risks (warranties, disputes over identified defective products) for EUR420 million, restructuring for EUR137 million, customer risks (customer disputes and losses on long-term contracts) for EUR87 million and environmental risks for EUR57 million. The EUR176 million increase over the year principally corresponds to the acquisitions of the period (EUR167 million).

Deferred taxes

Deferred tax assets came to EUR1,444 million as at December 31, 2011, reflecting unused tax losses of an amount of EUR294 million, future tax savings on provisions for pensions of an amount of EUR553 million, and non-deductible provisions and accruals of an amount of EUR247 million.

Deferred tax liabilities totaled EUR944 million and primarily comprised deferred taxes recognised on trademarks, customer relationships and patents acquired in connection with business combinations.



> 3. Review of the parent company financial statements

Schneider Electric SA posted total portfolio revenues of EUR1,436 million in 2011 compared with EUR691 million the previous year. Schneider Electric Industries SAS, the main subsidiary, paid dividends of EUR1,300 million in 2011 compared with EUR672 million in 2010. Interest expense net of interest income amounted to EUR80 million versus EUR177 million the year before. Non-recurring income amounted to EUR1,336 million versus EUR497 million in 2010.

On December 30, 2011, Schneider Electric SA invoiced Schneider Electric Industries SAS a financial compensation for the use of the trademark Schneider Electric for EUR1.2 billion.

Net profit stood at EUR2,604 million compared with EUR703 million in 2010.

Equity before appropriation of net profit amounted to EUR11,701 million at December 31, 2011 versus EUR9,738 million at the previous year-end, after taking into account 2011 profit, dividend payments of EUR856 million and share issues in an amount of EUR215 million.

All trade payables are due before end-January.

Schneider Electric SA proceed to several bond issuances during the year for a total nominal amount of EUR1.7 billion euros and repaid the 2006 bond of EUR500 million at the maturity date (July 18, 2011).

> 4. Review of subsidiaries

Schneider Electric Industries SAS

Revenue totaled EUR3.6 billion versus EUR3.4 billion in 2010.

The subsidiary posted an operating loss of EUR88 million compared with an operating profit of EUR22 million in 2010.

Net profit came to EUR992 million compared with EUR1,502 million in 2010.

Cofibel

Cofibel posted a net profit of EUR2 million, compared with EUR154 million in 2010 (out of which EUR152 million of capital gain on sale of Schneider Electric SA shares).

Cofimines

Cofimines posted a net profit of EUR16 million, compared with EUR34 million in 2010 (out of which EUR29 million of capital gain on sale of Schneider Electric SA shares).

Remuneration and benefits of corporate officers

The remuneration and other benefits paid to corporate officers are disclosed in Chapter 3, "Corporate Governance", paragraph 8, "Management interests and compensation" (page 124 and following).

> 5. Outlook

For 2012, the uncertainty surrounding the global economy limits visibility. While the Group sees continued strength in new economies and opportunities from a recovering North America, Western Europe is expected to weigh on growth.

In this context and assuming no major change in economic conditions, the Group expects flat to slightly positive organic growth for sales and an adjusted EBITA margin between 14% and 15%.



Consolidated financial statements

1. Consolidated statement of income	152
2. Consolidated statement of cash flows	154
3. Consolidated balance sheet	156
4. Consolidated statement of changes in equity	158
5. Notes to the consolidated financial statements	159
6. Statutory Auditors' report on the consolidated financial statements	217

> 1. Consolidated statement of income

<i>(in millions of euros except for earnings per share)</i>	Note	Full year 2011	Full year 2010
Revenue	3	22,387	19,580
Cost of sales		(13,958)	(11,842)
Gross profit		8,429	7,738
Research and development	4	(539)	(450)
Selling, general and administrative expenses		(4,658)	(4,269)
EBITA adjusted*		3,232	3,019
Other operating income and expenses	6	(8)	8
Restructuring costs	7	(145)	(96)
EBITA**		3,079	2,931
Amortization and impairment of purchase accounting intangibles	8	(226)	(228)
Operating income		2,853	2,703
Interest income		30	24
Interest expense		(331)	(306)
Finance costs, net		(301)	(282)
Other financial income and expense	9	(114)	(65)
Net financial income/loss		(415)	(347)
Profit before tax		2,438	2,356
Income tax expense	10	(562)	(566)
Share of profit/(losses) of associates		28	6
PROFIT FOR THE PERIOD		1,904	1,796
• attributable to owners of the parent		1,820	1,720
• attributable to non-controlling interests		84	76
Basic earnings per share (in euros)	21.3	3.39	3.30
Diluted earnings per share (in euros)		3.35	3.28

* EBITA adjusted (Earnings Before Interests, Taxes, Amortization of purchase accounting intangibles and Restructuring costs) EBITA adjusted corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, before other operating income and expenses and before restructuring costs.

** EBITA (Earnings Before Interests, 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>	Full year 2011	Full year 2010
Profit for the period	1,904	1,796
Other comprehensive income:		
Translation adjustment	159	944
Cash-flow hedges	(87)	31
Available-for-sale financial assets	(60)	(32)
Actuarial gains (losses) on defined benefits	(275)	(6)
Income tax relating to components of other comprehensive income	129	3
Other comprehensive income for the period, net of tax	(134)	940
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,770	2,736
Attributable:		
• to owners of the parent	1,694	2,649
• to non-controlling interests	76	87

The accompanying notes are an integral part of the consolidated financial statements.

> 2. Consolidated statement of cash flows

<i>(in millions of euros)</i>	Note	Full year 2011	Full year 2010
I - Cash flows from operating activities:			
Profit for the period		1,904	1,796
Share of (profit)/losses of associates, net of dividends received		(28)	(6)
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>			
Depreciation of property, plant and equipment		386	358
Amortization of intangible assets other than goodwill		380	387
Impairment losses on non-current assets		31	29
Increase/(decrease) in provisions		(89)	(49)
Losses/(gains) on disposals of assets		12	(21)
Difference between tax paid and tax expense		(65)	14
Other		48	26
Net cash provided by operating activities before changes in operating assets and liabilities, before tax		2,579	2,534
Decrease/(increase) in accounts receivable		(280)	(291)
Decrease/(increase) in inventories and work in process		(38)	(515)
(Decrease)/increase in accounts payable		(41)	373
Change in other current assets and liabilities		32	161
Change in working capital requirement		(327)	(272)
Total I		2,252	2,262
II - Cash flows from investing activities:			
Purchases of property, plant and equipment		(515)	(376)
Proceeds from disposals of property, plant and equipment		52	84
Purchases of intangible assets		(297)	(239)
Proceeds from disposals of intangible assets		14	3
Net cash used by investment in operating assets		(746)	(528)
Net financial investments	2	(2,873)	(1,754)
Purchases of other long-term investments		(54)	5
Increase in long-term pension assets		(64)	-
Sub-total		(2,991)	(1,749)
Total II		(3,737)	(2,277)
III - Cash flows from financing activities:			
Issuance of long-term debt	24	1,692	1,000
Repayment of long-term debt		(500)	(1,160)
Sale/(purchase) of own shares		-	249
Increase/(reduction) in other financial debt		432	(273)
Issuance of shares		210	305
Dividends paid: Schneider Electric SA *		(856)	(195)
Non-controlling interests		(69)	(46)
Total III		909	(120)

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in millions of euros)</i>	Note	Full year 2011	Full year 2010
IV - Net effect of exchange rate:		(166)	6
Increase/(decrease) in cash and cash equivalents: I + II + III + IV		(742)	(129)
Cash and cash equivalents at beginning of period		3,296	3,425
Increase/(decrease) in cash and cash equivalents		(742)	(129)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	20	2,554	3,296

* Dividends paid in 2010 totalled EUR525 million, of which EUR330 million were returned by shareholders who decided to reinvest their dividend. The accompanying notes are an integral part of the consolidated financial statements.



> 3. Consolidated balance sheet

Assets

<i>(in millions of euros)</i>	Note	Dec. 31, 2011	Dec. 31, 2010
Non-current assets			
Goodwill, net	11	12,773	10,213
Intangible assets, net	12	4,704	4,258
Property, plant and equipment, net	13	2,573	2,337
Total tangible and intangible assets		7,277	6,595
Investments in associates	14	489	447
Available-for-sale financial assets	15.1	296	410
Other non-current financial assets	15.2	261	144
Non-current financial assets		557	554
Deferred tax assets	16	1,444	1,023
Total non-current assets		22,540	18,832
Current assets			
Inventories and work in progress	17	3,349	3,139
Trade accounts receivable	18	5,484	4,441
Other receivables and prepaid expenses	19	1,638	1,212
Current financial assets	15.3	104	38
Cash and cash equivalents	20	2,771	3,389
Total current assets		13,346	12,219
TOTAL ASSETS		35,886	31,051

The accompanying notes are an integral part of the consolidated financial statements.

Liabilities

<i>(in millions of euros)</i>	Note	Dec. 31, 2011	Dec. 31, 2010
Equity	21		
Share capital		2,196	2,176
Additional paid-in capital		6,690	6,495
Retained earnings		6,864	6,133
Translation reserve		148	(19)
Equity attributable to owners of the parent		15,898	14,785
Non-controlling interests		192	204
Total equity		16,090	14,989
Total long-term provisions			
Pensions and other post-employment benefit obligations	22	1,723	1,504
Other long-term provisions	23	680	588
Total long-term provisions		2,403	2,092
Non-current financial liabilities			
Bonds	24	5,540	3,845
Other long-term debt	24	1,387	1,165
Non-current financial liabilities		6,927	5,010
Deferred tax liabilities	16	944	957
Other non-current liabilities	25	235	128
Total non-current liabilities		10,509	8,187
Current liabilities			
Trade accounts payable		4,094	3,432
Accrued taxes and payroll costs		2,320	1,760
Short-term provisions	23	960	876
Other current liabilities		803	692
Short-term debt	24	1,110	1,115
Total current liabilities		9,287	7,875
TOTAL EQUITY AND LIABILITIES		35,886	31,051

The accompanying notes are an integral part of the consolidated financial statements.



> 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
Dec. 31, 2009 ⁽¹⁾	262,752	2,102	5,934	(324)	4,969	(952)	11,729	131	11,860
Profit for the period					1,720		1,720	76	1,796
Other comprehensive income					(4)	933	929	11	940
Comprehensive income for the period					1,716	933	2,649	87	2,736
Capital increase	6,497	52	422				474		474
Exercise of stock options	2,710	22	139				161		161
Dividends					(525)		(525)	(46)	(571)
Change in treasury shares				249			249		249
Stock options					30		30		30
Other				1	17		18	32	50
Dec. 31, 2010	271,959	2,176	6,495	(74)	6,207	(19)	14,785	204	14,989
Profit for the period					1,820		1,820	84	1,904
Other comprehensive income					(293)	167	(126)	(8)	(134)
Comprehensive income for the period					1,527	167	1,694	76	1,770
Division of the nominal value by two	271,959								
Capital increase	3,856	15	162				178		178
Exercise of stock options	1,169	5	33				37		37
Dividends					(856)		(856)	(69)	(925)
Stock options					51		51		51
Other ⁽²⁾					9		9	(19)	(10)
Dec. 31, 2011	548,943	2,196	6,690	(74)	6,938	148	15,898	192	16,090

(1) Dec. 31, 2009 figures restated for acquisition fees and French CVAE.

(2) Of which EUR9 million in connection with the employee share purchase plan and a negative EUR19 million for the Areva D PPA adjustment.

The accompanying notes are an integral part of the consolidated financial statements.

> 5. Notes to the consolidated financial statements

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, 2011 were drawn up by the Management Board on February 17, 2012 and reviewed by the Supervisory Board on February 21, 2012. They will be submitted to shareholders for approval at the Annual General Meeting of May 3, 2012.

The Group's main business activities are described chapter 1 of the Registration Document.

TABLE OF CONTENTS

Note 1	Accounting Policies	160	Note 18	Trade accounts receivable	181
Note 2	Changes in the scope of consolidation	166	Note 19	Other receivables and prepaid expenses	181
Note 3	Segment information	168	Note 20	Cash and cash equivalents	182
Note 4	Research and development	170	Note 21	Equity	182
Note 5	Depreciation and amortisation expenses	171	Note 22	Pensions and other post-employment benefit obligations	190
Note 6	Other operating income and expenses	171	Note 23	Provisions	196
Note 7	Restructuring costs	171	Note 24	Total (current and non-current) financial liabilities	197
Note 8	Amortisation and impairment of purchase accounting intangibles	172	Note 25	Other non-current liabilities	199
Note 9	Other financial income and expense	172	Note 26	Financial instruments	200
Note 10	Income tax expense	173	Note 27	Employees	204
Note 11	Goodwill	174	Note 28	Related party transactions	204
Note 12	Intangible assets	175	Note 29	Commitments and contingent liabilities	205
Note 13	Property, plant and equipment	177	Note 30	Subsequent events	205
Note 14	Investments in associates	179	Note 31	Statutory Auditors' fees	206
Note 15	Financial assets	179	Note 32	Consolidated companies	207
Note 16	Deferred taxes by type	180			
Note 17	Inventories and work in progress	180			



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, 2011. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2010.

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, 2011:

- amendment to IAS 32 – *Classification of Rights Issues*;
- amendment to revised IAS 24 – *Information on Related parties*;
- 2010 improvements to IFRS (May 2010);
- amendment to IFRIC 14 – *Prepayment of a Minimum Funding Requirement*;
- IFRIC 19 – *Extinguishing Financial liabilities with Equity instruments*.

There are no differences in practice between the standards applied by Schneider Electric as of December 31, 2011 and the IFRS issued by the International Accounting Standards Board (IASB), since the application of standards and interpretations that are mandatory for reporting periods beginning on or after January 1, 2011 but not yet adopted by the European Union would not have a material impact.

Lastly, the Group did not apply the following standards and interpretations that had not yet been adopted by the European Union as of December 31, 2011 or that are mandatory at some point subsequent to December 31, 2011:

- Standards adopted
 - IFRS 7 – *Disclosures – Transfer of Financial assets*
- Standards not yet adapted
 - amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income*;
 - IAS 12 – *Recovery of Underlying Assets*;
 - IAS 19 revised – *Employee benefits*;
 - IAS 27 revised – *Separate Financial Statements*;
 - IAS 28 revised – *Investments in associates and joint-ventures*;
 - amendments to IAS 32 – *Offsetting Financial assets and Financial liabilities*;
 - amendments to IFRS 7 – *Disclosures – Transfer of Financial assets*;
 - IFRS 9 – *Financial instruments*;
 - IFRS 10 – *Consolidated Financial Statements*;
 - IFRS 11 – *Joint Arrangements*;
 - IFRS 12 – *Disclosure of Interests in Other entities*;
 - IFRS 13 – *Fair value Measurement*;
 - amendment to IFRS 1 – *Severe Hyperinflation and Removal of Fixed dates for First-Time Adopters*;
 - IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*.

Schneider Electric is currently assessing their potential impact on the Group's consolidated financial statements. At this stage of analysis, the Group does not expect the impact on its consolidated financial statements to be material, except for IFRS10 and IFRS 11 for which impacts are being assessed on entities currently consolidated with proportional consolidation, and except for IFRS 9 due to uncertainties surrounding the adoption process in Europe.

The financial statements provide data prepared in accordance with IFRS for the years ended December 31, 2011 and December 31, 2010. The financial statements for the year ended December 31, 2009, presented in the Registration Document registered with *Autorité des Marchés Financiers* (AMF) under number D10-0125 on March 19, 2010, are incorporated by reference.

1.2 – Basis of presentation

The financial statements have been prepared on a historical cost basis, with the exception of derivative instruments and available-for-sale financial assets, which are measured at fair value. Financial liabilities are measured using the amortised cost model. The book value of hedged assets and liabilities and the related hedging instruments corresponds to their fair value.

1.3 – 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 obligations created during the reporting period. Actual results may differ.

These assumptions mainly concern:

- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (note 1.10);
- the realisable value of inventories and work in process (note 1.12);
- the recoverable amount of accounts receivable (note 1.13);
- the valuation of share-based payments (note 1.19);
- the calculation of provisions for contingencies, in particular for warranties (note 1.20);
- the measurement of pension and other post-employment benefit obligations (note 22).

1.4 – Consolidation principles

Subsidiaries over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated. Exclusive control is control by all means, including ownership of a majority voting interest, significant minority ownership, and contracts or agreements with other shareholders.

Group investments in entities controlled jointly with a limited number of partners, such as joint ventures and alliances, are proportionally consolidated in accordance with the recommended treatment under IAS 31 – *Interests in Joint Ventures*.

Companies over which the Group has significant influence ("associates") are accounted for by the equity consolidation method. Significant influence is presumed to exist when more than 20% of voting rights are held by the Group.

Companies acquired or sold during the year are included in or removed from the consolidated financial statements as of the date when effective control is acquired or relinquished.

Intra-group balances and transactions are eliminated.

The list of consolidated subsidiaries and associates can be found in note 32.

The reporting date for all companies included in the scope of consolidation is December 31, with the exception of certain associates accounted for by the equity method. For the latter however, financial statements up to September 30 of the financial year have been used (maximum difference of three months in line with the standards).

1.5 – Business combinations

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3 - *Business Combinations*. In accordance with the option provided by IFRS 1 – *First-Time Adoption of IFRS* – business combinations recorded before January 1, 2004 have not been restated. Material acquisition costs are presented under "Other operating income and expenses" in the statement of income.

All acquired assets, liabilities and contingent liabilities of the acquiree are recognised at their fair value, following 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 recognised 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 recognised in the statement of income.

Goodwill is not amortised, but tested for impairment at least annually and whenever there is an indication that it may be impaired (see note 1.10 below). Any impairment losses are recognised under "Amortisation and impairment of purchase accounting intangibles".

1.6 – Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are prepared in euros.

The financial statements of subsidiaries that use another functional currency are translated into euros as follows:

- assets and liabilities are translated at the official closing rates;
- income statement and cash flow items are translated at weighted-average annual exchange rates.

Gains or losses on translation are recorded in consolidated equity under "Cumulative translation adjustments". In accordance with IFRS 1 – *First Time Adoption of IFRS* – cumulative translation adjustments were reset to zero at January 1, 2004 by adjusting opening retained earnings, without any impact on total equity.

1.7 – Foreign currency transactions

Foreign currency transactions are recorded using the official exchange rate in effect at the date the transaction is recorded or the hedging rate. At the balance sheet date, foreign currency payables and receivables are translated into the functional currency at the closing rates or the hedging rate. Gains or losses on translation of foreign currency transactions are recorded under "Net financial income/(loss)". Foreign currency hedging is described below, in note 1.22.

1.8 – Intangible assets

Intangible assets acquired separately or as part of a business combination

Intangible assets acquired separately are initially recognised in the balance sheet at historical cost. They are subsequently measured using the cost model, in accordance with IAS 38 – *Intangible Assets*.

Intangible assets (mainly trademarks and customer lists) acquired as part of business combinations are recognised in the balance sheet at fair value, appraised externally for the most significant assets and internally for the rest. The valuations are performed using generally accepted methods, based on future inflows. The assets are regularly tested for impairment.

Intangible assets are amortised on a straight-line basis over their useful life or, alternatively, over the period of legal protection. Amortised intangible assets are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Amortisation and impairment losses on such intangible assets are presented on a separate statement of income line item, "Amortisation and impairment of purchase accounting intangibles".

Trademarks

Trademarks acquired as part of a business combination are not amortised 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-amortised 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.

Systems were set up to track and capitalise development costs in 2004. As a result, only development costs for new products launched since 2004 are capitalised in the IFRS accounts.



Development costs for new projects are capitalised if, and only if:

- the project is clearly identified and the related costs are separately identified and reliably tracked;
- 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.

Capitalised development projects are amortised over the lifespan of the underlying technology, which generally ranges from three to ten years. The amortisation of such capitalised projects is included in the cost of the related products and classified into "Cost of sales" when the products are sold.

Software implementation

External and internal costs relating to the implementation of enterprise resource planning (ERP) applications are capitalised when they relate to the programming, coding and testing phase. They are amortised 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 amortised using the unit method to reflect the pattern in which the asset's future economic benefits are expected to be consumed. Said units of production correspond to the number of users of the rolled-out solution divided by the number of target users at the end of the roll-out.

1.9 – Property, plant and equipment

Property, plant and equipment is primarily comprised of land, buildings and production equipment and is carried at cost, less accumulated depreciation and any accumulated impairment losses, in accordance with the recommended treatment in IAS 16 – *Property, plant and equipment*.

Each component of an item of property, plant and equipment with a useful life that differs from that of the item as a whole is depreciated separately on a straight-line basis. The main useful lives are as follows:

Buildings:	20 to 40 years
Machinery and equipment:	3 to 10 years
Other:	3 to 12 years

The useful life of property, plant and equipment used in operating activities, such as production lines, reflects the related products' estimated life cycles.

Useful lives of items of property, plant and equipment are reviewed periodically and may be adjusted prospectively if appropriate.

The depreciable amount of an asset is determined after deducting its residual value, when the residual value is material.

Depreciation is expensed in the period or included in the production cost of inventory or the cost of internally-generated intangible assets. It is recognised in the statement of income under "Cost of

sales", "Research and development costs" or "Selling, general and administrative expenses", as the case may be.

Items of property, plant and equipment are tested for impairment whenever there is an indication they may have been impaired. Impairment losses are charged to the statement of income under "Other operating income and expenses".

Leases

The assets used under leases are recognised in the balance sheet, offset by a financial debt, where the leases transfer substantially all the risks and rewards of ownership to the Group.

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. The related payments are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

In accordance with IAS 23 R – *Borrowing costs* (applied as of January 1, 2009), borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognised as an expense for the period. Prior to January 1, 2009, borrowing costs were systematically expensed when incurred.

1.10 – Impairment of assets

In accordance with IAS 36 – *Impairment of Assets* – the Group assesses the recoverable amount of its long-lived assets as follows:

- for all property, plant and equipment subject to depreciation and intangible assets subject to amortisation, the Group carries out a review at each balance sheet date to assess whether there is any indication that they may be impaired. Indications of impairment are identified on the basis of external or internal information. If such an indication exists, the Group tests the asset for impairment by comparing its carrying amount to the higher of fair value minus costs to sell and value in use;
- non-amortisable intangible assets and goodwill are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Value in use is determined by discounting future cash flows that will be generated by the tested assets, generally over a period of not more than five years. These future cash flows are based on Group management's economic assumptions and operating forecasts. The discount rate corresponds to the Group's weighted average cost of capital (WACC) at the measurement date plus a risk premium depending on the region in question. The WACC stood at 8.1% at December 31, 2011, a slight decrease on the 8.4% at December 31, 2010. This rate is based on (i) a long-term interest rate of 3.7%, 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 the fourth quarter of 2011, and (iii) the weighted country risk premium for the Group's businesses in the countries in question.

The perpetuity growth rate was 2%, unchanged on 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 in 2011 are Power, Infrastructure, Industry, IT, Buildings and CST businesses. Power, Industry, IT and Buildings businesses have operated as divisions since the reorganisation on January 1, 2010. CST business was included in 2011 within Industry business, of which it shared the same characteristics, for presentation purpose. Infrastructure business (previously named Energy), was created in 2011 in order to combine all Medium Voltage activities including those from Areva Distribution, as well as Telvent activities. Net assets were reallocated to the CGUs at the lowest possible level on the basis of the business activities to which they belong; the assets belonging to several activities were allocated to each business (Power, infrastructure and Industry mainly) pro-rata to their revenue in that business.

The WACC used to determine the value in use of each CGU was 8.1% for CST, 8.8% for Industry, Power and IT 8.3% for Buildings and 9.1% for Infrastructure.

Goodwill is allocated when initially recognised. 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 recognised. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted therefrom.

1.11 – Non-current financial assets

Investments in non-consolidated companies are classified as available-for-sale financial assets. They are initially recorded at their cost of acquisition and subsequently measured at fair value, when fair value can be reliably determined.

The fair value of equity instruments quoted in an active market may be determined reliably and corresponds to the quoted price at balance sheet date (Level 1 from the fair value hierarchy as per IFRS 7).

In cases where fair value cannot be reliably determined (Level 3 inputs), the equity instruments are measured at net cost of any accumulated impairment losses. The recoverable amount is determined with reference to the Group's share in the entity's net assets along with its expected future profitability and outlook. This rule is applied in particular to unlisted equity instruments.

Changes in fair value are accumulated in equity under "Other reserves" up to the date of sale, at which time they are recognised in the income statement. Unrealised losses on assets that are considered to be permanently impaired are recorded under "Finance costs and other financial income and expense, net".

Loans, recorded under "Other non-current financial assets", are carried at amortised cost and tested for impairment where there is an indication that they may have been impaired. Long-term financial receivables are discounted when the impact of discounting is considered significant.

1.12 – Inventories and work in process

Inventories and work in process are stated at the lower of their entry cost (acquisition cost or production cost generally determined by the weighted average price method) or of their estimated net realisable value.

Net realisable value corresponds to the estimated selling price net of remaining expenses to complete and/or sell the products.

Inventory impairment losses are recognised in "Cost of sales".

The cost of work in process, semi-finished and finished products, includes the cost of materials and direct labor, subcontracting costs, all production overheads based on normal capacity utilisation rates and the portion of research and development costs related to the production process (corresponding to the amortisation of capitalised projects in production and product and range maintenance costs).

1.13 – Trade accounts receivable

Depreciations for doubtful accounts are recorded when it is probable that receivables will not be collected and the amount of the loss can be reasonably estimated. Doubtful accounts are identified and the related depreciations determined based on historical loss experience, the age of the receivables and a detailed assessment of the individual receivables along with the related credit risks. Once it is known with certainty that a doubtful account will not be collected, the doubtful account and the related depreciation are written off via the statement of income.

Accounts receivable are discounted in cases where they due in over one year and the impact of adjustment is significant.

1.14 – Assets held for sale

Assets held for sale are no longer amortised or depreciated and are recorded separately in the balance sheet under "Assets held for sale" at the lower of amortised cost and net realisable value.

1.15 – Deferred taxes

Deferred taxes, corresponding to temporary differences between the tax basis and reporting basis of consolidated assets and liabilities, are recorded using the liability method. Deferred tax assets are recognised when it is probable that they will be recovered at a reasonably determinable date.

Future tax benefits arising from the utilisation of tax loss carryforwards (including amounts available for carryforward without time limit) are recognised only when they can reasonably be expected to be realised.

Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities that concern the same unit and are expected to reverse in the same period are netted off.



1.16 – Cash and cash equivalents

Cash and cash equivalents presented in the balance sheet consist of cash, bank accounts, term deposits of three months or less and marketable securities traded on organized markets. Marketable securities are short-term, highly-liquid investments that are readily convertible to known amounts of cash at maturity. They notably consist of commercial paper, mutual funds and equivalents. In light of their nature and maturities, these instruments represent insignificant risk of changes in value and are treated as cash equivalents.

1.17 – Schneider Electric SA shares

Schneider Electric SA shares held by the parent company or by fully consolidated companies are measured at acquisition cost and deducted from equity. They are held at their acquisition cost until sold.

Gains (losses) on the sale of own shares are added (deducted) from consolidated reserves, net of tax.

1.18 – Pensions and other employee benefit obligations

Depending on local practices and laws, the Group's subsidiaries participate in pension, termination benefit and other long-term benefit plans. Benefits paid under these plans depend on such factors 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.

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 recognised in the statement of income are split between operating income (for current service costs) and net financial income/(loss) (for financial costs and expected return on plan assets).

The amount recognised in the balance sheet corresponds to the present value of the obligation, adjusted for unrecognised past service cost and net of plan assets.

Where this is an asset, the recognised 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 recognised in the balance sheet and as a separate component of equity in "Other reserves".

Other commitments

Provisions are funded and expenses recognised 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 in its French subsidiaries). Actuarial gains and losses on these benefit obligations are fully recognised in profit or loss.

1.19 – Share-based payments

The Group grants different types of share-based payments to senior executives and certain employees. These include:

- Schneider Electric SA stock options;
- stock grants;
- stock appreciation rights, based on the Schneider Electric SA stock price.

Only plans set up after November 7, 2002 that did not vest prior to January 1, 2005 are affected by the application of IFRS 2 – *Share-based payments*.

Pursuant to this standard, these plans are measured on the date of grant and an employee benefits expense is recognised 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 stock grants and stock options, this expense is offset in the own share reserve. In the case of stock appreciation rights, a liability is recorded corresponding to the amount of the benefit granted, 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 discount (note 21.5).

1.20 – Provisions for contingencies and pension accruals

A provision is recorded when the Group has an obligation to a third party prior to the balance sheet date, and where the loss or liability is likely and can be reliably measured. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability. Provisions are calculated on a case-by-case or statistical basis and discounted when due in over a year. The discount rate used for long-term provisions was 3.42% at December 31, 2011 versus 2.75% at December 31, 2010.

Provisions are primarily set aside to cover:

- economic risks:

These provisions cover tax risks arising from tax audits performed by local tax authorities and financial risks arising primarily on guarantees given to third parties in relation to certain assets and liabilities;

- customer risks:

These provisions are primarily established to covers 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 cleanup costs;

- restructuring costs, when the Group has prepared a detailed plan for the restructuring and has either announced or started to implement the plan before the end of the year.

1.21 – Financial liabilities

Financial liabilities primarily comprise bonds and short and long-term bank borrowings. These liabilities are initially recorded at fair value, from which are deducted any direct transaction costs. Subsequently, they are measured at amortised cost based on their effective interest rate.

1.22 – Financial instruments and derivatives

Risk hedging management is centralised. The Group's policy is to use derivative financial instruments exclusively to manage and hedge changes in exchange rates, interest rates or prices of certain raw materials. The Group accordingly uses instruments such as swaps, options and futures, depending on the nature of the exposure to be hedged.

Foreign currency hedges

The Group periodically buys foreign currency derivatives to hedge the currency risk associated with foreign currency transactions. Some of these instruments hedge operating receivables and payables carried in the balance sheets of Group companies. The Group does not apply hedge accounting to these instruments because gains and losses on this hedging is immediately recognised. At year-end, the hedging derivatives are marked to market and gains or losses are recognised in "Net financial income/(loss)", offsetting the gains or losses resulting from the translation at end-of-year rates of foreign

currency payables and receivables, in accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

The Group also hedges future cash flows, including recurring future transactions, intra-group foreign currency loans or planned acquisitions or disposals of investments. In accordance with IAS 39, these are treated as cash flow hedges. These hedging instruments are recognised in the balance sheet and are measured at fair value at the end of the year. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is accumulated in equity, under "Other reserves", and then recognised in the statement of income when the hedged item affects profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognised in "Net financial income/(loss)".

In addition, certain long-term receivables and loans to subsidiaries are considered to be part of the net investment, as defined by IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. In accordance with the rules governing hedges of net investments, the impact of exchange rate fluctuations is recorded in equity and recognised in the statement of income when the investment is sold.

Interest rate swaps

Interest rate swaps allow the Group to manage its exposure to interest rate risk. The derivative instruments used are financially adjusted to the schedules, rates and currencies of the borrowings they cover. They involve the exchange of fixed and floating-rate interest payments. The differential to be paid (or received) is accrued (or deferred) as an adjustment to interest income or expense over the life of the agreement. The Group applies hedge accounting as described in IAS 39 for interest rate swaps. Gains and losses on re-measurement of interest rate swaps at fair value are recognised in equity (for cash flow hedges) or in profit or loss (for fair value hedges).

Commodity contracts

The Group also purchases commodity derivatives including forward purchase contracts, swaps and options to hedge price risks on all or part of its forecast future purchases. Under IAS 39, these qualify as cash flow hedges. These instruments are recognised in the balance sheet and are measured at fair value at the period-end. The effective portion of the hedge is recognised separately in equity (under "Other reserves") and then recognised in income (gross margin) when the hedged item affects consolidated income. The effect of this hedging is then incorporated in the cost price of the products sold. The ineffective portion of the gain or loss on the hedging instrument is recognised in "Net financial income/(loss)".

Cash flows from financial instruments are recognised 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 2010 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 recognise 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 recognised by adjusting goodwill.

The Group elected to recognise the subsequent changes in the fair value of the liability against equity.

1.23 – Revenue recognition

The Group's revenues primarily include merchandise sales and revenues from services and contracts.

Merchandise sales

Revenue from sales is recognised when the product is shipped and risks and benefits are transferred (standard shipping terms are FOB).

Provisions for the discounts offered to distributors are set aside when the products are sold to the distributor and recognised as a deduction from revenue.

Certain Group subsidiaries also offer cash discounts to distributors. These discounts and rebates are deducted from sales.

Consolidated revenue is presented net of these discounts and rebates.

Service contracts

Revenue from service contracts is recorded over the contractual period of service. It is recognised when the result of the transaction can be reliably determined, by the percentage of completion method.

Long-term contracts

Income from long-term contracts is recognised using the percentage-of-completion method, based either on the percentage of costs incurred in relation to total estimated costs of the entire contract, or on the contract's technical milestones, notably proof of installation or delivery of equipment. When a contract includes performance clauses in the Group's favor, the related revenue is recognised at each project milestone and a provision is set aside if targets are not met.

Losses at completion for a given contract are provided for in full as soon as they become probable. The cost of work-in-process includes direct and indirect costs relating to the contracts.

1.24 – Earnings per share

Earnings per share are calculated in accordance with IAS 33 – *Earnings Per Share*.

Diluted earnings per share are calculated by adjusting profit attributable to equity holders of the parent and the weighted average number of shares outstanding for the dilutive effect of the exercise of stock options outstanding at the balance sheet date. The dilutive effect of stock options is determined by applying the "treasury stock" method, which consists of taking into account the number of shares that could be purchased, based on the average share price for the year, using the proceeds from the exercise of the rights attached to the options.

1.25 – Statement of cash flows

The consolidated statement of cash flows has been prepared using the indirect method, which consists of reconciling net profit to net cash provided by operations. The opening and closing cash positions include cash and cash equivalents, comprised of marketable securities, (note 1.16) net of bank overdrafts and facilities.

Note 2 Changes in the scope of consolidation

The Group's consolidated financial statements for the year ended December 31, 2011 can be summarised as follows:

Number of companies	Dec. 31, 2011	Dec. 31, 2010
Parent company and fully consolidated subsidiaries	590	549
Proportionally consolidated companies	1	1
Companies accounted for by the equity method	5	6
TOTAL	596	556

2.1 – Acquisition of Areva T&D's Distribution business in 2010

In accordance with standard IFRS 3 R, Schneider Electric valued the assets acquired and liabilities assumed at their fair value on the date of acquisition. The final allocation of the acquisition price breaks down as follows:

Areva Distribution	Before allocation of acquisition price	Allocation of acquisition price	After allocation of acquisition price
Acquisition price			1,208
Cash and cash equivalents	33	-	33
Current assets	992	(23)	969
Non current assets	437	139	576
Total assets	1,462	116	1,578
Financial liabilities	45	-	45
Non-current liabilities excluding debt	167	156	323
Current liabilities excluding debt	799	67	866
Non-controlling interests	34	(18)	16
Total liabilities	1,045	205	1,250
GOODWILL			880

The valuation of the assets acquired at their fair value led principally to the recognition of intangible assets in the amount of EUR159 million (technology, backlog, inventories and customer relationships) and to revaluations of property, plant and equipment in the amount of EUR26 million; these assets were valued by independent experts. Contingent liabilities were recognised for a total amount of EUR199 million. The goodwill is not tax-deductible.

On December 31, 2010, the main elements of the provisional computation were:

- contingent liabilities, for the identification of risks, particularly tax, was not completed at the close of business on December 31, 2010;

- tangible assets, because the estimated fair value of these assets was in progress;
- intangible assets, because the assumptions used to value the technology has been refined in 2011.

On December 31, 2010, the Distribution business of Areva T&D's, had been included to the scope of consolidation from the acquisition date, *i.e.* June 7, 2010. If Distribution business of Areva T&D's had been acquired from January 1, 2010, then the effect on the consolidated income statement in 2010 would have been as follows:

	Group excluding Areva Distribution	Contribution of Areva D since acquisition	Group published	Areva D from January 1, to Jun. 7	Group including Areva D since January 1
Revenue	18,350	1,230	19,580	648	20,228
EBITA	2,846	85	2,931	9	2,940
%	15.5%	6.9%	15.0%	1.4%	14.5%
Restructuring costs	(96)		(96)	(5)	(101)
Other operating income and expenses	8		8		8
Adjusted EBITA*	2,934	85	3,019	14	3,033
%	16.0%	6.9%	15.4%	2.2%	15.0%

* Adjusted EBITA: EBITA before Restructuring costs and Other income and expenses (of which Costs of acquisition, integration and separation).

Comparative data in 2010 did not require a change in 2011 because the impacts related to changes in fair value recognized as part of the acquisition were not significant across the Schneider Group balance sheet and income statement also.



2.2 – Other acquisitions during the year

The total amount of acquisitions during the year came to EUR2,873 million, net of cash and cash equivalents acquired.

	2011	2010
Acquisitions	(2,873)	(1,762)
Cash and cash equivalents paid	(2,953)	(1,800)
Cash and cash equivalents paid acquired	80	38
Disposals	6	8
Other operations	(6)	-
NET FINANCIAL INVESTMENT	(2,873)	(1,754)

It is mainly related to the acquisition of Telvent (August 30, 2011), Leader & Harvest (June 9, 2011), Luminous (May 30, 2011), Summit Energy (March 24, 2011), Steck (July 22, 2011) and Digilink (March 31, 2011).

The temporary valuation of assets acquired at their fair value principally led to the recognition of intangible assets in the amount of EUR432 million (technology, backlog, customer relationships) and to revaluation of property, plant and equipment in the amount of EUR4 million; these assets were valued by independent experts. Contingent liabilities and indemnification assets were recognized respectively for a total amount of EUR93 million and EUR47 million. These amounts are before deferred tax impacts.

On December 31, 2011, the main elements of the provisional computation are:

- contingent liabilities, for the identification of risks is not completed;
- tangible assets, because the estimated fair value of these assets is in progress;
- intangible assets, because the assumptions used to value these assets will be refined in 2012.

Note 3 Segment information

The new divisions are organised by business (Power, Infrastructure, Industry, IT, Buildings).

The five Businesses are:

- **Power**, which includes the activities of Low Voltage (electrical distribution), LifeSpace (wiring devices and associated interface devices) and Renewables (conversion and connection to the grid) further to the transfer of Medium Voltage to the Energy business in 2011 (see below); the business is in charge of the end-customer segments Residential and Marine when it relates to solutions integrating the offers of several activities from the Group;
- **Infrastructure**, created in 2011 and previously named Energy, combines all Medium Voltage activities including those from Areva Distribution, as well as Telvent; the business is in charge of the end-customer segments Oil and Gas and Utilities when it relates to solutions integrating the offers of several activities from the Group;
- **Industry**, which includes Automation & Control and three end-customer segments: OEMs, Water Treatment and Mining, Minerals & Metals when it relates to solutions integrating the offers of several activities from the Group, as well as Custom Sensors & Technologies business (Sensors & Automotives), grouped under Industry from 2011;

- **IT**, which covers Critical Power & Cooling Services and two end-customer segments: Data Centers and Financial Services when it relates to solutions integrating the offers of several activities from the Group;
- **Buildings**, which includes Building Automation and Security and four end-customer segments: Hotels, Hospitals, Office Buildings and Retail Buildings.

Data concerning General Management that cannot be allocated to a particular segment are presented under "Corporate costs".

Operating segment data is identical to that presented to the Management Board, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance assessments used by the Management Board are notably based on Adjusted EBITA. Share-based payment is presented under "Corporate costs". The Management Board does not review assets and liabilities by Business.

The same accounting principles governing the consolidated financial statements apply to segment data.

Details are provided in Chapter 4 of the Registration Document (Business Review).

3.1 – Information by operating segment

Dec. 31, 2011

	Power	Infrastructure	Industry	IT	Buildings	Corporate costs	Total
Revenue	8,297	4,897	4,404	3,237	1,552	-	22,387
EBITA	1,714	465	761	497	126	(484)	3,079
%	20.7%	9.5%	17.3%	15.3%	8.1%	-	13.8%
Restructuring costs	(75)	(19)	(24)	(9)	(11)	(7)	(145)
Other operating income and expense	49	(27)	4	(17)	(8)	(9)	(8)
• of which acquisition and integration costs	(2)	(50)	(5)	(10)	(8)	(24)	(99)
Adjusted EBITA*	1,740	511	781	523	145	(468)	3,232
%	21.0%	10.4%	17.7%	16.2%	9.3%	-	14.4%

* Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation)

Dec. 31, 2010 (included Areva D since January 1, 2010)

	Power	Infrastructure	Industry	IT	Buildings	Corporate costs	Total
Revenue	7,755	4,341	3,984	2,746	1,402	-	20,228
EBITA	1,660	456	698	453	135	(462)	2,940
%	21.4%	10.5%	17.5%	16.5%	9.6%	-	14.5%
Restructuring costs	(37)	(10)	(41)	(5)	(9)	1	(101)
Other operating income and expense	24	21	(5)	2	(4)	(30)	8
• of which acquisition and integration costs	-	-	(3)	-	(3)	(25)	(31)
Adjusted EBITA*	1,673	445	744	456	148	(433)	3,033
%	21.6%	10.3%	18.7%	16.6%	10.6%	-	15.0%

* Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).

As a consequence of the creation of Infrastructure business, revenue and profits related to Medium voltage business, reported in 2010 in Power Business are now reported in Energy division. Additionally, revenue and profits related to Distribution business of Areva from January 1 to June 7, 2010, that were not consolidated in financial statements released on December 31, 2010 and described in note 2.1 are now also reported in Infrastructure business, in order to ease the comparability from previous semester.

Due to a change of responsibility, 2011 first quarter revenue of the Power and Building businesses have been modified compared to the data set provided in first quarter 2011 Group revenues release.



3.2 – Information by region

The geographic regions covered by the Group are:

- Western Europe;
- North America: United States, Canada and Mexico;
- Asia-Pacific;
- Rest of the World (Eastern Europe, Middle East, Africa, South America).

Non-current assets include net goodwill, net intangible assets and net property, plant and equipment.

Dec. 31, 2011

	Western Europe	of which France	North America	of which USA	Asia- Pacific	of which China	Rest of the world	Total
Revenue by country market	7,184	1,958	5,208	4,360	5,933	2,798	4,062	22,387
Non-current assets	7,361	1,710	7,466	7,310	4,413	1,095	811	20,051

Dec. 31, 2010

	Western Europe	of which France	North America	of which USA	Asia- Pacific	of which China	Rest of the world	Total
Revenue by country market	6,568	1,777	4,704	3,952	4,792	2,269	3,516	19,580
Non-current assets	6,022	1,869	6,391	6,141	3,590	703	805	16,808

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:

	2011	2010
Research and development costs in cost of sales	206	171
Research and development costs in commercial expenses	-	-
Research and development costs in R&D costs ⁽¹⁾	539	450
Capitalized development costs	234	197
TOTAL RESEARCH AND DEVELOPMENT COSTS OF THE YEAR	979	818

(1) Of which EUR29 million research and development tax credit in December 2011 and EUR21 million in December 2010.

Amortisation of capitalised development costs amounted to EUR112 million for the 2011 financial year, compared with EUR107 million in 2010.

Note 5 Depreciation and amortisation expenses

Depreciation and amortisation expenses recognised in operating expenses were as follows:

	2011	2010
Included in cost of sales:		
Depreciation and amortisation	(398)	(373)
Included in selling, general and administrative expenses:		
Depreciation and amortisation	(133)	(131)
DEPRECIATION AND AMORTISATION EXPENSES	(531)	(504)

In 2011, provisions in an amount of EUR90 million were recorded in other operating income and expenses.

The net amount of impairment losses on non-current assets totaled EUR25 million, of which EUR7 million in goodwill impairment (note 8), and EUR17 million in other operating income and expenses (note 6).

Note 6 Other operating income and expenses

Other operating income and expenses break down as follows:

	2011	2010
Impairment losses on assets	-	(34)
Gains on asset disposals	8	25
Losses on asset disposals	(9)	(5)
Costs of acquisitions	(99)	(31)
Pension plan curtailments	42	8
Others	50	45
OTHER OPERATING INCOME AND EXPENSES	(8)	8

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions in 2010 and 2011.

The line "Pension plan curtailments" includes mainly a provision release for medical care in the US of EUR45 million.

The line "Others" includes mainly a reversal of provision for litigation or claims expired on December. In 2010, this line included mainly a reversal of provision for EUR22 million due to changes in paid vacation modalities in the US and a proceed from insurance claim for EUR17 million.

Note 7 Restructuring costs

Restructuring costs totaled EUR145 million over the period. They mainly relate to industrial and support function reorganisations in Europe (approximately EUR99 million) and in North America (approximately EUR14 million).



Note 8 Amortisation and impairment of purchase accounting intangibles

	2011	2010
Amortization of purchase accounting intangibles	(208)	(213)
Impairment of purchase accounting intangibles	(3)	-
Goodwill impairment	(15)	(15)
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	(226)	(228)

The migration of the Group's brands towards the Schneider Electric brand (One Brand project) has led to the amortisation from January 1, 2010 of the Xantrex, TAC and MGE brands over a six-year period. The corresponding amortisation expense totaled EUR57 million over the year.

Impairment losses totaling EUR15 million are recognised on goodwill relating to two small businesses in Europe sold on second semester.

Impairment tests performed on all the Group's CGUs have not led to impairment losses being recognised. Analysis of the test's sensitivity 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 of the growth rate;
- a 0.5 point decrease of margin rate.

Note 9 Other financial income and expense

	2011	2010
Exchange gains and losses, net	(40)	25
Financial component of defined benefit plan costs	(45)	(49)
Dividends received	9	9
Net gains/(losses) on disposal of long-term investments	(1)	3
Other financial expense, net	(37)	(53)
OTHER FINANCIAL INCOME AND EXPENSE	(114)	(65)

Dividends are mainly received on AXA shares.

Note 10 Income tax expense

Whenever possible, Group entities file consolidated tax returns. Schneider Electric SA has chosen this option for the French subsidiaries it controls directly or indirectly through Schneider Electric Industries SAS.

10.1 – Analysis of income tax expense

	2011	2010
Current taxes		
France	(190)	(23)
International	(718)	(598)
Total	(908)	(621)
Deferred taxes		
France	(100)	6
International	446	49
Total	346	55
INCOME TAX (EXPENSE)/BENEFIT	(562)	(566)

10.2 – Tax proof

	2011	2010
Profit attributable to owners of the parent	1,820	1,720
Income tax (expense)/benefit	(562)	(566)
Non-controlling interests	(84)	(76)
Share of profit of associates	28	6
Profit before tax	2,438	2,356
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate	(839)	(811)
Reconciling items:		
Difference between French and foreign tax rates	220	196
Tax credits and other tax reductions	87	62
Impact of tax losses	(28)	1
Other permanent differences	(2)	(14)
Income tax (expense)/benefit	(562)	(566)
EFFECTIVE TAX RATE	23.1%	24.0%



Note 11 Goodwill

11.1 – Main items of goodwill

Group goodwill is broken down by business as follows:

	Dec. 31, 2011 Net	Dec. 31, 2010 Net
<i>Power</i>	3,906	3,789
<i>Industry</i>	2,176	1,732
<i>Buildings</i>	1,642	1,345
<i>ITB</i>	3,061	2,620
<i>Infrastructure</i>	1,987	727
TOTAL	12,773	10,213

The 2010 goodwill is presented in order to take into account the business reorganisation that occurred in 2011.

Square D goodwill was allocated to each business in proportion to operating income:

	<i>Power</i>	<i>Industry</i>
Square D Company	82%	18%

11.2 – Movements during the year

The main movements during the year are summarised as follows:

	2011	2010
Net goodwill at opening	10,213	8,611
Acquisitions*	2,356	938
Disposals	(21)	(1)
Impairment	-	(15)
Translation adjustment	142	675
Reclassifications	83	5
Net goodwill at year end	12,773	10,213
Cumulative impairment	(178)	(172)

* On the basis of the exchange rate at acquisition date.

Acquisitions

There is a 12 month period after the date of acquisition for the Group to finalise the allocation of goodwill to these entities. The corresponding goodwill is therefore provisional.

Goodwill generated by acquisitions made during the year totaled EUR2,356 million and correspond principally to Telvent (EUR1,001 million), the Chinese group Leader & Harvest (EUR347 million) and the Indian group Luminous (EUR260 million).

Goodwill generated by 2010 acquisitions totaled EUR938 million, consisting mainly of Areva Distribution for EUR727 million,

SCADAgrou in Australia for EUR110 million and Cimac in the United Arab Emirates for EUR33 million.

Impairment

Impairment tests performed on all the Group's CGUs have not led to impairment losses being recognised.

Other changes

Translation adjustments concern principally goodwill on US dollars.

Note 12 Intangible assets

12.1 – Change in intangible assets

	Trademarks	Software	Development projects (R&D)	Other	Total
GROSS VALUE					
Dec. 31, 2009	2,420	724	842	1,213	5,199
Acquisitions	-	15	197	27	239
Disposals	(4)	(8)	(10)	(5)	(27)
Translation adjustments	205	20	39	95	359
Reclassification	-	20	8	(33)	(5)
Changes in scope of consolidation and other	-	29	9	213	251
Dec. 31, 2010	2,621	800	1,085	1,510	6,016
Acquisitions	0	25	217	54	296
Disposals	-	(30)	(19)	(8)	(57)
Translation adjustments	80	4	21	46	151
Reclassification	1	4	(16)	(25)	(36)
Changes in scope of consolidation and other	84	24	4	338	450
Dec. 31, 2011	2,786	827	1,292	1,915	6,820
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2009	(132)	(489)	(243)	(416)	(1,280)
Depreciation and impairment	(60)	(73)	(115)	(160)	(408)
Recapture	4	7	6	3	20
Translation adjustments	(7)	(14)	(20)	(35)	(76)
Reclassification	-	(1)	2	5	6
Changes in scope of consolidation and other	-	(23)	3	-	(20)
Dec. 31, 2010	(195)	(593)	(367)	(603)	(1,758)
Depreciation and impairment	(60)	(61)	(112)	(151)	(384)
Recapture	-	29	9	1	39
Translation adjustments	(2)	(5)	(11)	(22)	(40)
Reclassification	-	13	3	(3)	13
Changes in scope of consolidation and other	-	1	(5)	18	14
Dec. 31, 2011	(257)	(616)	(483)	(760)	(2,116)
NET VALUE					
Dec. 31, 2009	2,288	235	599	797	3,919
Dec. 31, 2010	2,426	207	718	907	4,258
Dec. 31, 2011	2,529	211	809	1,155	4,704

In 2011, changes in scope of consolidation of other intangible assets mainly include recognized intangibles relating to Telvent (EUR182 million) and to Leader & Harvest (EUR125 million), acquired in 2011.



12.2 – Trademarks

At December 31, 2011, the main trademarks recognised were as follows:

	Dec. 31, 2011	Dec. 31, 2010
APC	1,406	1,382
Pelco	388	370
Clipsal	200	194
MGE	167	167
TAC	82	101
Juno	88	86
Digital	54	50
Other	144	76
NET	2,529	2,426

Brands recognised on acquisition realized in 2011 (Telvent, Luminous, Steck) amount to EUR78 million. They are recorded in line Other.

The migration of the Group's brands towards the Schneider Electric brand (*One Brand project*) has led to the amortisation from January 1, 2010 of the Xantrex, TAC and MGE brands over a six-year period. The corresponding amortisation expense totaled EUR57 million over the year.

Note 13 Property, plant and equipment

13.1 – Change in tangible assets

	Land	Buildings	Machinery and equipment	Other	Total
GROSS VALUE					
Dec. 31, 2009	156	1,234	3,208	735	5,333
Acquisitions	1	54	171	145	371
Disposals	(8)	(53)	(132)	(65)	(258)
Translation adjustments	11	61	144	47	263
Reclassification	2	35	91	(121)	7
Changes in scope of consolidation and other	69	149	196	91	505
Dec. 31, 2010	231	1,480	3,678	832	6,221
Acquisitions	11	104	168	233	516
Disposals	(1)	(18)	(105)	(46)	(170)
Translation adjustments	2	11	21	1	35
Reclassification	3	33	42	(141)	(63)
Changes in scope of consolidation and other	(24)	122	18	33	149
Dec. 31, 2011	222	1,732	3,822	912	6,688
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2009	(12)	(597)	(2,372)	(387)	(3,368)
Depreciation and impairment	(1)	(65)	(240)	(55)	(361)
Recapture	1	41	140	36	218
Translation adjustments	(1)	(23)	(93)	(28)	(145)
Reclassification	-	3	(9)	5	(1)
Changes in scope of consolidation and other	(1)	(61)	(123)	(42)	(227)
Dec. 31, 2010	(14)	(702)	(2,697)	(471)	(3,884)
Depreciation and impairment	(1)	(76)	(250)	(58)	(385)
Recapture	0	11	121	27	159
Translation adjustments	0	(6)	(20)	(2)	(28)
Reclassification	3	4	38	11	56
Changes in scope of consolidation and other	(3)	(23)	6	(13)	(33)
Dec. 31, 2011	(15)	(792)	(2,802)	(506)	(4,115)
NET VALUE					
Dec. 31, 2009	144	637	836	348	1,965
Dec. 31, 2010	217	778	981	361	2,337
Dec. 31, 2011	207	940	1,020	406	2,573

Reclassifications primarily correspond to assets put into use.



13.2 – Finance leases

Tangible assets primarily comprise the following finance leases:

	Dec. 31, 2011	Dec. 31, 2010
Land	1	3
Buildings	44	74
Machinery and equipment	31	32
Other tangible assets	2	3
Accumulated depreciation	(67)	(83)
ASSETS UNDER FINANCE LEASE, NET	11	29

Future minimal rental commitments on finance lease properties at December 31, 2011 break down as follows:

	Minimum payments	Discounted minimum payments
Less than one year	1	1
Between one and five years	4	4
Five years and more	1	1
TOTAL COMMITMENTS	6	6
Discounting effect	-	
Discounted minimum payments	6	

13.3 – Operating leases

Rental expense breaks down as follows:

	Dec. 31, 2011	Dec. 31, 2010
Minimum rentals	110	118
Conditional rentals	1	1
Sub-lease rentals	(7)	(4)
TOTAL RENTAL EXPENSE	104	115

Operating lease commitments break down as follows at December 31, 2011:

	Minimum payments	Discounted minimum payments
Less than one year	96	93
Between one and five years	250	226
Five years and more	108	85
TOTAL COMMITMENTS	454	404
Discounting effect	(50)	
Discounted minimum payments	404	

Note 14 Investments in associates

Investments in associates can be analysed as follows:

	% interest at Dec. 31		Share net assets at Dec. 31		Share in net profit at Dec. 31	
	2011	2010	2011	2010	2011	2010
Delta Dore Finance	20.0%	20.0%	15	13	2	1
Electroshield TM Samara	50.0%	50.0%	276	266	14	-
Sunten Electric Equipment	50.0%	50.0%	96	85	-	(1)
Fuji Electric FA Components & Systems	36.8%	36.8%	96	76	12	5
Other	N/A	N/A	6	7	-	1
TOTAL	-	-	489	447	28	6

Note 15 Financial assets

15.1 – Available-for-sale financial assets

Available-for-sale financial assets, primarily comprising investments, are detailed below:

		Dec. 31, 2011			Dec. 31, 2010
		Gross value	Revaluation/ impairment	Fair value	Fair value
I – Listed available-for-sale financial assets					
AXA	0.5%	111	(4)	107	132
NVC Ligthing	9.2%	115	(33)	82	-
Gold Peak Industries Holding Ltd	4.4%	6	(4)	2	3
Total listed AFS		232	(41)	191	135
II – Unlisted available-for-sale financial assets					
Citec, SEAT ⁽¹⁾	100.0%	6	-	6	-
FCPR SEV1	100.0%	34	21	55	58
FCPR SESS	54.5%	10	-	10	10
Simak ⁽²⁾	99.4%	5	-	5	5
SE Venture	100.0%	7	(7)	-	-
Others ⁽³⁾		36	(7)	29	202
Total unlisted AFS		98	7	105	275
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS		330	(34)	296	410

(1) Companies purchased in 2011.

(2) Removed from the scope of consolidation – in liquidation.

(3) Gross unit value of less than EUR5 million.

The fair value of investments quoted in an active market corresponds to the price on the balance sheet date. The revaluation of listed investments over the year has had a negative impact on other equity reserves of EUR60 million.

15.2 – Other non-current financial assets

Non Current financial assets total EUR261 million at December 31, 2011 and include potential assets linked to acquisitions.

15.3 – Current financial assets

Current financial assets total EUR104 million at December 31, 2011 and comprise short-term investments.

Note 16 Deferred taxes by type

Deferred taxes by type can be analysed as follows:

	Dec. 31, 2011	Dec. 31, 2010
Deferred tax assets		
Tax credits and tax loss carryforwards	294	387
Provisions for pensions and other post-retirement benefit obligations	553	423
Impairment of receivables and inventory	163	183
Non-deductible provisions for contingencies and accruals	84	134
Other	350	(104)
TOTAL DEFERRED TAX ASSETS	1,444	1,023
Deferred tax liabilities		
Differences between tax and accounting depreciation	(113)	(107)
Trademarks and other intangible assets	(430)	(897)
Capitalized development costs (R&D)	(55)	(56)
Other	(346)	103
TOTAL DEFERRED TAX LIABILITIES	(944)	(957)

Deferred tax assets recorded in respect of tax loss carryforwards at December 31, 2011 essentially concern France (EUR102 million) and Belgium (EUR77 million).

Note 17 Inventories and work in progress

Inventories and work in process changed as follows:

	Dec. 31, 2011	Dec. 31, 2010
Cost:		
Raw materials	1,604	1,461
Production work in process	362	559
Semi-finished and finished products	1,564	1,384
Goods	75	84
Solution work in process	132	-
INVENTORIES AND WORK IN PROCESS AT COST	3,605	3,488
Impairment:		
Raw materials	(191)	(169)
Production work in process	(10)	(20)
Semi-finished and finished products	(167)	(147)
Goods	(12)	(13)
Solution work in process	(8)	-
IMPAIRMENT LOSS	(387)	(349)
Net:		
Raw materials	1,413	1,292
Production work in process	353	539
Semi-finished and finished products	1,397	1,237
Goods	63	71
Solution work in process	124	-
INVENTORIES AND WORK IN PROCESS, NET	3,349	3,139

Note 18 Trade accounts receivable

	Dec. 31, 2011	Dec. 31, 2010
Accounts receivable	5,442	4,276
Notes receivable	185	265
Advances to suppliers	116	98
Accounts receivable at cost	5,744	4,639
Impairment	(259)	(198)
Accounts receivable, net	5,484	4,441
Of which:		
On time	4,446	3,658
Less than one month past due	400	326
One to two months past due	168	126
Two to three months past due	112	100
Three to four months past due	93	79
More than four months past due	265	152
ACCOUNTS RECEIVABLE, NET	5,484	4,441

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:

	Dec. 31, 2011	Dec. 31, 2010
Provisions for impairment on January 1	(198)	(140)
Additions	(34)	(47)
Utilizations	31	23
Reversals of surplus provisions	3	3
Translation adjustments	3	(10)
Other	(64)	(27)
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	(259)	(198)

Note 19 Other receivables and prepaid expenses

	Dec. 31, 2011	Dec. 31, 2010
Other receivables	337	236
Other tax credits	1,039	698
Derivative instruments	82	118
Prepaid expenses	180	160
TOTAL	1,638	1,212

Note 20 Cash and cash equivalents

	Dec. 31, 2011	Dec. 31, 2010
Marketable securities	634	1,825
Negotiable debt securities and short-term deposits	622	115
Cash and cash equivalents	1,515	1,449
Total cash and cash equivalents	2,771	3,389
Bank overdrafts	(217)	(93)
NET CASH AND CASH EQUIVALENTS	2,554	3,296

Note 21 Equity

21.1 – Capital

Share capital

At the Annual General Meeting held on April 21, 2011 Schneider Electric shareholders approved the division of the nominal value of the shares by two. The operation took effect on September 2, 2011 and resulted in the issuance of 271,959,091 new shares.

The Company's share capital at December 31, 2011 amounted to EUR2,195,772,096, represented by 548,943,024 shares with a par value of EUR4, all fully paid up.

At December 31, 2011, a total of 548,722,100 voting rights were attached to the 548,943,024 shares outstanding.

Schneider Electric's capital management strategy is designed to:

- ensure Group liquidity;
- optimise its financial structure;
- optimise the weighted average cost of capital.

The strategy must also ensure the Group has access to different capital markets under the best possible conditions. Factors taken into account for decision-making purposes include objectives expressed in terms of earnings per share, ratings or balance sheet stability. Finally, decisions may be implemented depending on specific market conditions.

Changes in share capital

Changes in share capital since December 31, 2010 were as follows:

	Cumulative number of shares	Total (in euros)
Capital at Dec. 31, 2010	271,959,091	2,175,672,728
Division of the par value by two	271,959,091	-
Exercise of stock options	1,169,210	4,676,840
Employee share issue	3,855,632	15,422,528
CAPITAL AT DEC. 31, 2011	548,943,024	2,195,772,096

The share premium account increased by EUR194,755,657 following the exercise of options and the increases in capital.

21.2 – Ownership structure

	Dec. 31, 2011				Dec. 31, 2010	
	Capital	Number of shares	Voting rights	Number of voting rights	Capital	Voting rights
	%		%		%	%
Capital Research and Management Company ⁽¹⁾	9.4	51,780,765	8.9	51,780,765	8.2	7.7
CDC	3.7	20,349,002	4.6	26,699,002	4.2	5.1
Employees	4.6	25,001,870	7.1	41,268,373	4.1	6.1
Own shares	0.0	1,058	-	-	-	-
Treasury shares	1.7	9,164,952	-	-	1.7	-
Public	80.6	442,645,377	78.0	455,807,950	81.8	79.4
TOTAL	100.0	548,943,024	100.0	584,722,100 ⁽²⁾	100.0	100.0

(1) To the best of the Company's knowledge.

(2) Number of voting rights as defined in article 223-11 of the AMF general regulations, which includes shares stripped of voting rights.

No shareholders' pact was in effect as of December 31, 2011.

21.3 – Earnings per share

These calculations are adjusted to reflect the division of the par value by two, from 8 euros to 4 euros, effective September 2, 2011.

Determination of the share base used in calculation

(in thousands of shares)	Dec. 31, 2011		Dec. 31, 2010	
	Basic	Diluted	Basic	Diluted
Common shares*	537,422	537,422	521,786	521,786
Stock grants		2,890		1,184
Stock options		2,623		2,180
Average weighted number of shares	537,422	542,935	521,786	525,150

* Net of treasury shares and own shares.

Earnings per share

(In euros)	Dec. 31, 2011		Dec. 31, 2010	
	Basic	Diluted	Basic	Diluted
Profit before tax	4.54	4.49	4.51	4.48
EARNINGS PER SHARE	3.39	3.35	3.30	3.28

21.4 – Dividends paid and proposed

In 2011, the Group paid out the 2010 dividend of EUR3.20 per share, for a total of EUR856 million.

In 2010, the Group paid out the 2009 dividend of EUR2.05 per share, for a total of EUR525 million.

At the Shareholders' Meeting of May 3, 2012, shareholders will be asked to approve a dividend of EUR1.70 per share for 2011. At December 31, 2011 Schneider Electric SA had distributable reserves in an amount of EUR96 million (versus EUR257 million at the previous year-end), not including profit for the year.

21.5 – Share-based payments

Current stock option and stock grant plans

The Board of Directors of Schneider Electric SA 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, 2011:

Stock option plans

<i>Plan no.</i>	Date of Board meeting	Type of plan ⁽¹⁾	Starting date of exercise period	Expiration date	Price (in euros)	Number of options initially granted	Options cancelled because targets not met
18	Mar. 24, 2000	P	Mar. 24, 2003	Mar. 23, 2008	32.62	2,842,400	1,373,200
19	April 4, 2001	S	April 4, 2005	April 3, 2009	34.06	3,115,700	N/A ⁽²⁾
20	Dec. 12, 2001	S	Dec. 12, 2005	Dec. 11, 2009	25.63	3,200,000	333,600
21	Feb. 5, 2003	S	Feb. 5, 2007	Feb. 4, 2011	22.60	4,000,000	283,800
22	Feb. 5, 2003	S	June 5, 2003	Feb. 4, 2011	22.60	222,000	N/A ⁽²⁾
23	May 6, 2004	S	Oct. 1, 2004	May 5, 2012	27.77	214,000	N/A ⁽²⁾
24	May 6, 2004	S	May 6, 2008	May 5, 2012	27.77	4,121,400	188,600
25	May 12, 2005	S	Oct. 1, 2005	May 11, 2013	28.23	277,000	N/A ⁽²⁾
26	June 28, 2005	S	June 28, 2009	June 27, 2013	30.09	4,007,600	-
27	Dec. 1, 2005	S	Dec. 1, 2009	Nov. 30, 2013	35.70	3,229,800	-
28	Dec. 21, 2006	S or P	Dec. 21, 2010	Dec. 20, 2016	40.67	2,514,240	-
29	April 23, 2007	S or P	April 23, 2011	April 22, 2017	48.52	166,300	-
30	Dec. 19, 2007	S or P	Dec. 19, 2011	Dec. 18, 2017	46.00	1,889,852	980,926
31	Jan. 5, 2009	S or P	Jan. 5, 2013	Jan. 4, 2019	26.06	1,358,000	-
32	Aug. 21, 2009	S or P	Aug. 21, 2013	Aug. 20, 2019	31.30	10,000	-
33	Dec. 21, 2009	S or P	Dec. 21, 2013	Dec. 20, 2019	37.92	1,652,686	-
TOTAL						32,820,978	3,160,126

(1) S = Options to subscribe new shares. P = Options to purchase existing shares.

(2) Not applicable because no vesting conditions were set.

Rules governing the stock option plans are as follows:

- to exercise the option, the grantee must be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the options expire after eight to ten years;
- the vesting period is three or four years in the United States and four years in the rest of the world.

Stock grants

Plan no.	Date of Board meeting	Vesting Date	Expiration Date	Number of shares granted originally	Grants cancelled because targets not met
1	Dec. 21, 2006	Dec. 21, 2009	Dec. 21, 2011	104,012	-
2	April 23, 2007	April 23, 2010	April 23, 2012	4,428	-
3	Dec. 19, 2007	Dec. 19, 2010	Dec. 19, 2012	132,788	69,434
4	Dec. 19, 2007	Dec. 19, 2011	Dec. 19, 2011	114,500	58,176
5	Jan. 5, 2009	Jan. 5, 2012	Jan. 5, 2014	287,430	-
6	Jan. 5, 2009	Jan. 5, 2013	Jan. 5, 2013	424,702	-
7	Aug. 21, 2009	Aug. 21, 2012	Aug. 21, 2014	2,500	-
8	Dec. 21, 2009	Dec. 21, 2011	Dec. 21, 2013	319,506	-
9	Dec. 21, 2009	Dec. 21, 2013	Dec. 21, 2013	780,190	-
10	Dec. 17, 2010	Mar. 17, 2013	Mar. 17, 2015	665,524	-
11	Dec. 17, 2010	Dec. 17, 2014	Dec. 17, 2014	1,161,696	-
10 bis	July 26, 2011	July 26, 2013	July 26, 2015	3,000	-
11 bis	July 26, 2011	July 26, 2015	July 26, 2015	5,882	-
12	July 26, 2011	July 26, 2015	July 26, 2015	19,850	-
13	Dec. 16, 2011	Dec. 16, 2013	Dec. 16, 2015	645,443	-
14	Dec. 16, 2011	Dec. 16, 2015	Dec. 16, 2015	1,387,800	-
TOTAL				6,059,851	127,610

Rules governing the stock grant plans are as follows:

- to receive the stock, the grantee must 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 two years.

Outstanding options and grants

Change in the number of options

Plan no.	Number of options outstanding Dec. 31, 2010	Number of options exercised and/ or created in 2011	Number of options cancelled in 2011 ⁽¹⁾	Number of options outstanding Dec. 31, 2011
21	88,452	(29,674)	(58,778)	-
22	12,940	(820)	(12,120)	-
23	30,332	(8,040)	-	22,292
24	845,644	(274,254)	-	571,390
25	58,940	(14,872)	-	44,068
26	1,890,198	(234,952)	(7,676)	1,647,570
27	2,168,392	(265,750)	(3,232)	1,899,410
28	2,105,646	(291,794)	(13,130)	1,800,722
29	152,300	-	(8,000)	144,300
30	882,440	-	(40,480)	841,960
31	1,286,900	-	(33,600)	1,253,300
32	10,000	-	-	10,000
33	1,646,086	-	(21,450)	1,624,636
TOTAL	11,178,270	(1,120,156)	(198,466)	9,859,648

(1) Including potential cancellations due to targets not being met or options being granted to employees without being exercised.



To exercise the options granted under plans 26 to 33, and the SARs, the grantee must 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 plans, Schneider Electric SA has created 1,169,210 shares in 2011.

Change in the number of stock grants

<i>Plan no.</i>	Number of stock grants at Dec. 31, 2010	Number of existing or new shares grants in 2011	Number of shares cancelled in 2011	Number of shares outstanding Dec. 31, 2011
4	54,086	(49,054)	(5,032)	-
5	274,680	-	(1,850)	272,830
6	411,026	-	(17,278)	393,748
7	2,500	-	-	2,500
8	319,506	-	(1,544)	317,962
9	772,190	-	(21,780)	750,410
10	665,524	-	(3,544)	661,980
11	1,161,696	-	(25,620)	1,136,076
10 bis	-	3,000	-	3,000
11 bis	-	5,882	-	5,882
12	-	19,850	-	19,850
13	-	645,443	-	645,443
14	-	1,387,800	-	1,387,800
TOTAL	3,661,208	2,012,921	(76,648)	5,597,481

For stock grants to vest, the grantee must be an employee or corporate officer of the Group. In addition, vesting of some stock grants is conditional on the achievement of annual objectives based on financial indicators.

21.5.1 Valuation of share-based payments

Stock option valuation

In accordance with the accounting policies described in note 1.20, the stock option plans have been valued on the basis of an average estimated life of between seven and ten years using the following assumptions:

- expected volatility of between 20% and 28%, corresponding to capped historical volatility;
- a payout rate of between 3.0% and 4.5%;
- a discount rate of between 2.9% and 4.5%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the amount recorded under "Selling, general and administrative expenses" for stock grant plans set up after November 7, 2002 breaks down as follows:

	2011	2010
Plan 28	-	5
Plan 29	-	1
Plan 30	1	2
Plan 31	2	2
Plan 32	-	-
Plan 33	4	4
TOTAL	7	14

Valuation of stock grants

In accordance with the accounting policies described in note 1.20, the stock grant plans have been valued on the basis of an average

estimated life of between four and five years using the following assumptions:

- a payout rate of between 3.0% and 4.5%;
- a discount rate of between 1.6% and 4.5%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the amount recorded under "Selling, general and administrative expenses" for stock grant plans set up after November 7, 2002 breaks down as follows:

	2011	2010
Plan 5	2	2
Plan 6	2	2
Plan 7	-	-
Plan 8	5	5
Plan 9	6	6
Plan 10	16	1
Plan 11	13	-
Plan 10 bis	-	-
Plan 11 bis	-	-
Plan 12	-	-
Plan 13	-	-
Plan 14	-	-
TOTAL	44	16

21.5.2 Worldwide Employee Stock Purchase Plan

Schneider Electric gives its employees the opportunity to become group shareholders thanks to employee share issues. Employees in countries that meet legal and fiscal requirements have the choice between a classic and a leveraged plan.

Under the classic plan, employees may purchase Schneider Electric shares at a 15% to 20% discount to the price quoted for the shares on the stock market. Employees must then hold their shares for 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 an individual with an average credit rating.

Under the leveraged plan, employees may also purchase Schneider Electric shares at a 15% to 20% discount from the price quoted on the stock market. However, the leveraged plan offers a different yield profile as a third-party bank tops up the employee's

initial investment, essentially multiplying the amount paid by the employee. The total is invested in Schneider Electric shares at a preferential price. The bank converts the discount transferred by the employee into funds with a view to securing the yield for the employee and increasing the indexation on a leveraged number (factor of 4.4 in 2010) of directly subscribed shares.

As with the classic plan, the share-based payment expense is determined by reference to the fair value of the discount on the locked-up shares (see above). In addition, it includes the value of the benefit corresponding to the issuer's involvement in the plan, which means that employees have access to share prices with a volatility profile adapted to institutional investors rather than to the prices and volatility profile they would have been offered if they had purchased the shares through their retail banks. The volatility differential is treated as a discount equivalent that reflects the opportunity gain offered to employees under the leveraged plan.

As regards the first semester 2011, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR95.38 or EUR89.77 per share, depending on the country, as part of its commitment to employee share ownership, on June 6, 2011. This represented a 15% to 20% discount to the reference price of EUR112.21 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, 1.9 million shares were subscribed, increasing the Company's capital by EUR178 million as of July 12, 2011. The issue represented a total cost of EUR9 million, taking into account the five-year lock-up period.



The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2011 and 2010.

	2011		2010	
	%	Value	%	Value
Nonleveraged plans				
Plan characteristics				
Maturity (<i>years</i>)		5		5
Reference price (<i>euros</i>)		112.21		79.34
Subscription price (<i>euros</i>):				
between		95.38		67.44
and		89.77		65.86
Discount:				
between	15.0%		15.0%	
and	20.0%		17.0%	
Amount subscribed by employees		72.0		37.8
Total amount subscribed		72.0		37.8
Total number of shares subscribed (<i>millions of shares</i>)		0.8		0.6
Valuation assumptions				
Interest rate available to market participant (<i>bullet loan</i>) ⁽¹⁾	4.8%		4.1%	
Five year risk-free interest rate (euro zone)	2.8%		2.1%	
Annual interest rate (<i>repo</i>)	1.0%		1.0%	
(a) Value of discount:				
between	15.0%	7.9	15.0%	6.2
and	20.0%	6.7	17.0%	0.6
(b) Value of the lock-up period for market participant	14.9%	12.9	15.0%	6.7
Total expense for the Group (a-b)	0.12% to 5.12%	1.8	0.01% to 2.01%	0.1
Sensitivity				
• decrease in interest rate for market participant ⁽²⁾	-0.5%	2.0	-0.5%	1.2

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.

(2) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

	2011		2010	
	%	Value	%	Value
Leveraged plans				
Plan characteristics				
Maturity (<i>years</i>)		5		5
Reference price (<i>euros</i>)		112.21		79.34
Subscription price (<i>euros</i>):				
between		95.38		67.44
and		89.77		65.86
Discount ⁽⁵⁾ :				
between	15.0%		15.0%	
and	20.0%		17.0%	
Amount subscribed by employees		10.6		9.9
Total amount subscribed		105.7		105.4
Total number of shares subscribed (<i>millions of shares</i>)		1.2		1.6
Valuation assumptions				
Interest rate available to market participant (<i>bullet loan</i>) ⁽¹⁾	4.8%		4.1%	
Five year risk-free interest rate (euro zone)	2.8%		2.1%	
Annual dividend rate	3.0%		3.0%	
Annual interest rate (<i>repo</i>)	1.0%		1.0%	
Retail/institutional volatility spread	5.0%		5.0%	
(a) Value of discount:				
between	15.0%	5.9	15.0%	11.7
and	20.0%	18.1	17.0%	8.0
(b) Value of the lock-up period for market participant	14.9%	19.3	15.0%	18.8
(c) Value of the opportunity gain ⁽²⁾	2.0%	2.6	1.9%	2.4
Total expense for the Group (a-b+c)	2.10% to 7.10%	7.3	1.89% to 3.89%	3.3
Sensitivity				
• decrease in interest rate for market participant ⁽³⁾	-0.5%	3.1	-0.5%	3.3
• increase in retail/institutional volatility spread ⁽⁴⁾	0.5%	0.3	0.5%	0.2

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.

(2) Calculated using a binomial model.

(3) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

(4) An increase in the retail/institutional volatility spread increases the opportunity gain for the employee and increases the expense booked by the issuer.

(5) In some countries, due to local law, employees subscribe for undiscounted sums while the bank subscribes at a discount to provide the leverage.



21.6 – Schneider Electric SA shares

At December 31, 2011, the Group held 9,164,952 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

21.7 – Tax on equity

Total income tax recorded in Equity amounts to EUR329 million as of December 31, 2011 and can be analysed as follows:

	Dec. 31, 2011	Dec. 31, 2010	Change in tax
Cash-flow hedges	100	69	31
Available-for-sale financial assets	(3)	(14)	11
Actuarial gains (losses) on defined benefits	233	146	87
Other	(1)	(1)	-
TOTAL	329	200	129

Note 22 Pensions and other post-employment benefit obligations

The Group has set up various post-employment benefit plans for employees covering pensions, termination benefits, healthcare, life insurance and other benefits, as well as long-term benefit plans

for active employees, primarily long service awards and similar benefits, mainly in France.

Actuarial valuations are generally performed each year. The assumptions used vary according to the economic conditions prevailing in the country concerned, as follows:

	Weighted average rate		Of which US plans	
	2011	2010	2011	2010
Discount rate	4.3%	5.0%	4.6%	5.5%
Rate of compensation increases	2.5%	2.0%	N/A	N/A
Expected return on plan assets ⁽¹⁾	6.9%	7.0%	8.0%	8.3%

(1) Corresponding to the 2010 and 2011 rates.

The discount rate is determined on the basis of the interest rate for investment-grade (AA) corporate bonds or, in the event a liquid market does not exist, government bonds with a maturity that matches the duration of the benefit obligation (reference: Bloomberg). In the United States, the average discount rate is determined on the basis of a yield curve for investment-grade (AA and AAA) corporate bonds.

These benchmarks, which are the same as those used in previous years, comply with IAS 19.

The expected return on plan assets is determined on the basis of the weighted average expected return of the total asset value.

The discount rate currently stands at 4.00% in the euro zone, 4.59% in the United States and 4.90% in the United Kingdom.

A 0.5 point increase in the discount rate would reduce pension and termination benefit obligations by around EUR155 million and the service cost by EUR2 million. A 0.5 point decrease would increase

pension and termination benefit obligations by EUR165 million and the service cost by EUR2 million.

The post-employment healthcare obligation mainly concerns the United States. A one point increase in the healthcare costs rate would increase the post-employment healthcare obligation by EUR38 million and the sum of the service cost and interest cost by EUR3 million. A one point decrease in healthcare costs rate would decrease the post-employment healthcare obligation by EUR33 million and the sum of the service cost and interest cost by EUR2 million.

In 2011, the rate of healthcare cost increases in the United States is based on a decreasing trend from 8% in 2012 to 4.5% in 2023. This compares with the previous year's forecast of 9% in 2011 to 5% in 2015. In 2009, the forecast was based on a decreasing trend from 9% in 2010 to 5% in 2014. The rate in France was estimated at 4% in 2011, as in 2010 and in 2009.

Pensions and termination benefits

Pension obligations primarily concern the Group's North American and European subsidiaries. These plans feature either a lump-sum payment on the employee's retirement or regular pension payments after retirement. The amount is based on years of service, grade and end-of-career salary. They also include top-hat payments granted to certain senior executives guaranteeing supplementary retirement income beyond that provided by general, mandatory pension schemes.

The majority of benefit obligations under these plans, which represent 76% of the Group's total commitment or EUR2,027 million at December 31, 2011, are partially or fully funded through payments to external funds. These funds are not invested in Group assets.

External funds are invested in equities (around 36%), bonds (around 54%) and real estate or cash (around 9%).

Contributions amounted to EUR83 million in 2011 and are estimated at EUR56 million for 2012.

At December 31, 2011, provisions for pensions and termination benefits totaled EUR1,263 million, compared with EUR1,032 million in 2010. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

Payments made under defined contribution plans are recorded in the income statement in the year of payment and are in full settlement

of the Group's liability. Defined contribution plan payments totalled EUR61 million in 2011 and EUR59 million in 2010.

Other post-employment and long-term benefits: including healthcare, life insurance and long service awards

The North American subsidiaries pay certain healthcare costs and provide life insurance benefits to retired employees who fulfill certain criteria in terms of age and years of service. These post-employment benefit obligations are unfunded.

Healthcare coverage for North American employees represents 84% of this obligation.

The assumptions used to determine post-employment benefit obligations related to healthcare and life insurance are the same as those used to estimate pension benefit obligations in the country concerned.

Other long-term benefit obligations include healthcare coverage plans in Europe, for EUR62 million, and long-service awards due by subsidiaries in France, for EUR13 million.

At December 31, 2011, provisions for these benefit obligations totaled EUR460 million, compared with EUR472 million at December 31, 2010. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

22.1 – Changes in provisions for pensions and other post-employment benefit obligations

Changes in provisions for pensions and other post-employment benefit obligations (net of plan assets) were as follows:

	Pensions and termination benefits	Of which SE USA	Other post- employment and long-term benefits	Of which SE USA	Provisions for pensions & other post- employment benefits
Dec. 31, 2009	944	293	435	358	1,379
Net cost recognized in the statement of income	63	2	25	18	88
Benefits paid	(58)	(1)	(26)	(21)	(84)
Plan participants' contributions	(21)	(1)	2	2	(19)
Actuarial items recognized in equity	4	(18)	-	4	4
Translation adjustment	40	23	29	26	69
Changes in the scope of consolidation	58	-	5	-	63
Other changes	2	1	2	-	4
Dec. 31, 2010	1,032	299	472	387	1,504
Net cost recognized in the statement of income	70	3	(22)	(29)	48
Benefits paid	(28)	-	(21)	(20)	(49)
Plan participants' contributions	(83)	(66)	2	2	(81)
Actuarial items recognized in equity	247	143	20	-	267
Translation adjustment	20	17	9	9	29
Changes in the scope of consolidation	(10)	-	(1)	-	(11)
Other changes	15	(1)	1	-	16
Dec. 31, 2011	1,263	395	460	349	1,723



Changes in gross items recognised in equity were as follows:

	Pensions and termination benefits	Other post-employment and long-term benefits	Provisions for pensions & other post-employment benefits.
Dec. 31, 2009	458	(53)	405
Actuarial (gains)/losses on projected benefit obligation	42	-	42
Actuarial (gains)/losses on plan assets	(38)	-	(38)
Effect of the asset ceiling	-	-	-
Dec. 31, 2010	462	(53)	409
Actuarial (gains)/losses on projected benefit obligation	222	18	240
Actuarial (gains)/losses on plan assets	25	-	25
Effect of the asset ceiling	-	-	-
Dec. 31, 2011	709	(35)	674

22.2 – Provisions for pensions and termination benefit obligations

Annual changes in obligations, the market value of plan assets and the corresponding assets and provisions recognised in the consolidated financial statements can be analysed as follows:

	Dec. 31, 2011		Dec. 31, 2010	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
1. Reconciliation of balance sheet items				
Pension assets	-	-	-	-
Provisions for pensions and other post-employment benefit	(1,263)	(395)	(1,032)	(299)
NET ASSET/(LIABILITY) RECOGNIZED IN THE BALANCE SHEET	(1,263)	(395)	(1,032)	(299)

	Dec. 31, 2011		Dec. 31, 2010	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
2. Components of net cost recognized in the statement of income				
Service cost	41	2	43	2
Interest cost (effect of discounting)	110	53	109	56
Expected return on plan assets	(86)	(56)	(82)	(56)
Past service cost	1	-	-	-
Curtailments and settlements	4	4	(7)	-
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	70	3	63	2

	Dec. 31, 2011		Dec. 31, 2010	
	Of which SE USA		Of which SE USA	
3. Change in projected benefit obligation				
Projected benefit obligation at beginning of year	2,340	1,034	2,055	937
Service cost	41	2	43	2
Interest cost (effect of discounting)	110	53	109	56
Plan participants' contributions	4	-	4	-
Benefits paid	(100)	(47)	(134)	(48)
Actuarial (gains)/losses recognized in equity	222	120	42	14
Past service cost	1	4	5	-
Changes in the scope of consolidation	(18)	-	87	-
Translation adjustments	62	44	130	73
Curtailments and settlements	4	-	(7)	-
Other	19	-	6	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	2,685	1,210	2,340	1,034

Actuarial gains and losses have been fully recognised in Other reserves.

They stem mainly from changes in actuarial assumptions (primarily discount rates) used to measure obligations in the United States, the United Kingdom and the euro zone.

At December 31, 2011, actuarial gains relative to the effects of experience on pension and termination benefit obligations totaled EUR20 million for the Group.

At December 31, 2010, actuarial gains relative to the effects of experience totaled EUR49 million for the Group. At December 31, 2009, actuarial losses relative to the effects of experience totaled EUR64 million. At December 31, 2008, actuarial losses relative to the effects of experience totaled EUR445 million. At December 31, 2007, actuarial losses relative to the effects of experience totaled EUR2 million.

	Dec. 31, 2011		Dec. 31, 2010	
	Of which SE USA		Of which SE USA	
4. Change in fair value of plan assets				
Fair value of plan assets at beginning of year	1,304	735	1,112	643
Expected return on plan assets	86	56	82	56
Plan participants' contribution	4	-	4	-
Employer contributions	83	66	21	1
Benefits paid	(72)	(47)	(76)	(47)
Actuarial gains/(losses) recognized in equity	(25)	(23)	38	32
Changes in plans	-	-	-	-
Changes in the scope of consolidation	(8)	-	29	-
Translation adjustments	42	27	90	50
Curtailments and settlements	-	-	-	-
Other	7	-	4	-
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	1,421	814	1,304	735

The actual return on plan assets was EUR61 million.

Actuarial gains and losses have been fully recognised in Other reserves.

They stem mainly from the differential between the effective and expected return on plan assets in the US and Canada.



	Dec. 31, 2011		Dec. 31, 2010	
	Of which SE USA		Of which SE USA	
5. Funded status				
Projected benefit obligation	(2,685)	(1,210)	(2,340)	(1,034)
Fair value on plan assets	1,421	814	1,304	735
Surplus/ (Deficit)	(1,264)	(396)	(1,036)	(299)
Effect of the asset ceiling	-	-	-	-
<i>Deferred items:</i>				
Unrecognized past service cost	1	1	4	-
(LIABILITIES)/NET ASSET RECOGNIZED IN THE BALANCE SHEET	(1,263)	(395)	(1,032)	(299)

Amounts related to pensions and termination benefit obligations as of 2011 and the four previous periods are as follows:

	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
6. Historical data					
Projected benefit obligation	(2,685)	(2,340)	(2,055)	(2,036)	(1,958)
Fair value on plan assets	1,421	1,304	1,112	1,010	1,402
Surplus/ (Deficit)	(1,264)	(1,036)	(943)	(1,026)	(556)
Effect of the asset ceiling	-	-	(1)	(2)	(10)
<i>Deferred items:</i>					
Unrecognized past service cost	1	4	0	1	1
(LIABILITIES)/NET ASSET RECOGNIZED IN THE BALANCE SHEET	(1,263)	(1,032)	(944)	(1,027)	(565)

22.3 – Provisions for healthcare costs, life insurance benefits and other post-employment benefits

Changes in provisions for other post-employment and long-term benefits were as follows:

	Dec. 31, 2011	Dec. 31, 2010
1. Components of net cost recognized in the statement of income		
Service cost	7	7
Interest cost (effect of discounting)	20	22
Expected return on plan assets	-	-
Past service cost	(7)	(4)
Curtailments and settlements	(42)	-
Amortization of actuarial gains & losses	-	-
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	(22)	25

Amortisation of actuarial gains and losses concerns long-term benefits for active employees, notably long service awards in France.

In 2011, healthcare plan curtailment in the US decreased the benefit obligation.

	Dec. 31, 2011	Dec. 31, 2010
2. Change in projected benefit obligation		
Projected benefit obligation at beginning of year	445	406
Service cost	7	7
Interest cost (effect of discounting)	20	22
Plan participants' contribution	2	2
Benefits paid	(21)	(26)
Actuarial (gains)/losses recognized in equity	20	-
Past service cost	(41)	-
Changes in the scope of consolidation	(1)	5
Translation adjustments	9	29
Other (including curtailments and settlements)	-	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	440	445

Actuarial gains and losses have been fully recognised in Other reserves except for long-term benefits for active employees, notably long service awards in France, for which all actuarial gains and losses are recognised in the income statement. Actuarial gains and losses stem from changes in actuarial assumptions (primarily discount rates).

At December 31, 2011, actuarial losses relative to the effects of experience on healthcare costs, life insurance and other

post-employment benefits totaled EUR21 million for the Group. Actuarial gains totaled EUR26 million at December 31, 2010.

At December 31, 2009, actuarial losses relative to the effects of experience totaled EUR18 million for the Group. They totaled EUR10 million at December 31, 2008. And at December 31, 2007, actuarial gains relative to the effects of experience totaled EUR59 million.

	Dec. 31, 2011	Dec. 31, 2010
3. Funded status		
Projected benefit obligation	(440)	(445)
Deferred items:		
Unrecognized past service cost	(20)	(27)
PROVISION RECOGNIZED IN BALANCE SHEET	(460)	(472)

Amounts related to healthcare costs and other post-employment obligations as of 2011 and the four previous periods are as follows:

	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
4. Historical data					
Projected benefit obligation	(440)	(445)	(406)	(401)	(366)
Deferred items:					
Unrecognized past service cost	(20)	(27)	(29)	(35)	(33)
PROVISION RECOGNIZED IN BALANCE SHEET	(460)	(472)	(435)	(436)	(399)



Note 23 Provisions

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec 31, 2009	418	80	264	44	210	132	1,148
<i>Long-term portion</i>	<i>131</i>	<i>31</i>	<i>79</i>	<i>27</i>	<i>28</i>	<i>80</i>	<i>375</i>
Additions	117	18	150	3	39	75	402
Discounting effect	-	-	1	-	-	(4)	(3)
Utilizations	(36)	(9)	(95)	(2)	(124)	(34)	(300)
Reversals of surplus provisions	(75)	(9)	(17)	-	(19)	(8)	(128)
Translation adjustments	16	4	16	2	5	3	46
Changes in the scope of consolidation and other	174	2	90	8	13	12	299
Dec 31, 2010	614	86	409	55	124	176	1,464
<i>Long-term portion</i>	<i>275</i>	<i>35</i>	<i>104</i>	<i>26</i>	<i>21</i>	<i>127</i>	<i>588</i>
Additions	159	5	143	8	87	69	471
Discounting effect	1	-	-	-	-	-	1
Utilizations	(82)	(8)	(109)	(5)	(77)	(60)	(341)
Reversals of surplus provisions	(53)	(6)	(29)	(1)	(9)	(38)	(136)
Translation adjustments	8	1	3	-	-	2	14
Changes in the scope of consolidation and other	92	9	3	-	12	51	167
Dec 31, 2011	739	87	420	57	137	200	1,640
<i>Long-term portion</i>	<i>388</i>	<i>34</i>	<i>81</i>	<i>28</i>	<i>18</i>	<i>131</i>	<i>680</i>

(a) Economic risks

These provisions cover, in particular, tax risks arising from audits performed by local tax authorities and financial risks arising primarily on guarantees given to third parties in relation to certain assets and liabilities.

Variations in scope of consolidation and others amount to EUR92 million and are principally related to Leader & Harvest, Steck and Luminous acquisitions.

(b) Customer risks

These provisions are primarily established to covers risks arising from products sold to third parties. This risk mainly consists of claims based on alleged product defects and product liability.

Provisions for customer risks also integrate the provisions for losses at completion for a number of long term contracts, for EUR18 million.

(c) Product risks

These provisions comprise:

- statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance;
- provisions for disputes over defective products;
- provisions to cover disputes related to recalls of clearly identified products.

(d) Environmental risks

These provisions are primarily funded to cover cleanup costs.

Note 24 Total (current and non-current) financial liabilities

Non-current financial liabilities break down as follows:

	Dec. 31, 2011	Dec. 31, 2010
Bonds	5,540	4,348
Bank and other borrowings	1,464	1,379
Lease liabilities	7	15
Employees profit sharing	12	10
Short-term portion of convertible and non-convertible bonds	-	(503)
Short-term portion of long-term debt	(96)	(239)
NON-CURRENT FINANCIAL LIABILITIES	6,927	5,010

Current financial liabilities break down as follows:

	Dec. 31, 2011	Dec. 31, 2010
Commercial paper	190	-
Accrued interest	132	110
Other short-term borrowings	475	170
Drawdown of funds from lines of credit	-	-
Bank overdrafts	217	93
Short-term portion of convertible and non-convertible bonds	-	503
Short-term portion of long-term debt	96	239
Short-term debt	1,110	1,115
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	8,037	6,125

24.1 – Breakdown by maturity

	Dec.31, 2011			Dec.31, 2010
	Nominal	Interests	Swaps	Nominal
2011				1,115
2012	1,110	285	46	104
2013	1,181	256	27	1,085
2014	1,158	187	5	767
2015	998	133	7	980
2016	792	120	-	546
2017 and beyond	2,798	171	-	1,528
TOTAL	8,037	1,152	85	6,125



24.2 – Breakdown by currency

	Dec. 31, 2011	Dec. 31, 2010
Euro	6,272	5,182
US Dollar	728	521
Indian rupee	233	22
Japanese yen	384	153
Brazilian real	147	75
Russian rouble	32	34
Colombian peso	29	23
Other	212	115
TOTAL	8,037	6,125

24.3 – Bonds

	Dec. 31, 2011	Dec. 31, 2010	Effective interest rate	Maturity
Schneider Electric SA 2011		500	Euribor + 0.200% variable	July 2011
Schneider Electric SA 2013	605	608	CMS 10+1.000% variable and 6.750% fixed	July 2013
Schneider Electric SA 2014	730	498	Libor USD + 0.490% variable and 4.500% fixed	January 2014
Schneider Electric SA 2015	749	748	5.375% fixed	January 2015
Schneider Electric SA 2016	736	519	Euribor + 0.600% variable and 0.849%, 0.846%, 2.875% fixed	July, November, December 2016
Schneider Electric SA 2017	987	981	4.000% fixed	August 2017
Schneider Electric SA 2018	743	-	3.750% fixed	July 2018
Schneider Electric SA 2019	495	-	3.500% fixed	January 2019
Schneider Electric SA 2020	495	494	3.625% fixed	July 2020
TOTAL	5,540	4,348		

Schneider Electric SA has made several bond issues as part of its Euro Medium Term Notes (EMTN) programme over the past few years. Issues that were not yet due as of December 31, 2011 were as follows:

- JPY22.5 billion worth of bonds issued in 2011, comprising a first JPY12.5 billion tranche at a rate of 0.849% issued in November and due in November 2016 and a second JPY10 billion tranche at a rate of 0.84625% issued in December due in December 2016;
- EUR500 million worth of bonds issued in September 2011, at a rate of 3.5%, due in January 2019;
- EUR750 million worth of bonds issued in July 2011, at a rate of 3.75%, due in July 2018;
- USD300 million worth of bonds issued in July 2011, at a rate variable rate indexed on the three-month USD Libor, due in July 2014;
- EUR300 and EUR200 million worth of bonds issued successively in July and October 2010, at a rate of 2.875%, due on July 20, 2016;
- EUR500 million worth of bonds issued in July 2010, at a rate of 3.625%, due on July 20, 2020;
- EUR150 million worth of bonds issued in May 2009 to top up the EUR600 million twelve-year tranche, due January 8, 2015, at a rate of 5.375% issued on October 2007, raising the total issue to EUR750 million;
- EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million twelve-year tranche, at a rate of 4%, issued in August 2005, raising the total issue to EUR1.03 billion;
- EUR750 million worth of bonds issued in January 2009 at a rate of 6.75%, due on July, 16 2013; in July 2010, this borrowing was partially repayed with EUR263 million;
- EUR100 million worth of bonds issued in July 2008 indexed to the 10-year Constant Maturity Swap (CMS) rate, due July 31, 2013;
- EUR12 million corresponding to the discounted present value of future interest payments on a EUR177 million eight year bond issue (July 25, 2008 to July 25, 2016) indexed to the three month Euribor. The nominal value of the bonds is not recognised in debt because the bond holder has waived its right to repayment of the principal in exchange for the transfer, on a no-recourse basis, of the future cash flows corresponding to the requested refund of a tax receivable;
- EUR180 million worth of bonds issued in April 2008 to top up the EUR600 million twelve-year tranche, at a rate of 4%, issued in August 2005, raising the total issue to EUR780 million;

- EUR600 million worth of bonds issued in October 2007, at a rate of 5.375%, due on January 8, 2015;
- EUR1 billion worth of bonds issued in July 2006, comprising a EUR500 million five-year variable rate tranche indexed to the three month Euribor and a EUR500 million 7 1/2-year tranche at 4.5%. On July 17, 2011 the first tranche was reimbursed;
- EUR600 million worth of bonds issued in August 2005, at a rate of 4%, due on August 2017.

These bonds are traded on the Luxembourg stock exchange. The issue premium and issue costs are amortised according to the effective interest method.

24.4 – Other information

At December 31, 2011 Schneider Electric had confirmed credit lines of EUR2.8 billion, all unused.

Loan agreements and committed credit lines do not include any financial covenants nor credit rating triggers.

Note 25 Other non-current liabilities

	Dec. 31, 2011	Dec. 31, 2010
Debt related to 2010 acquisitions*	25	53
Electroshield TM Samara acquisition debt	50	50
Debt on Luminous valuation	76	-
Other	84	25
OTHER NON-CURRENT LIABILITIES	235	128

* Acquisition of D5X, Vizelia and H'Dev.

The debt on Luminous valuation corresponds to the Group commitments on the minority interest (26%) in Luminous.



Note 26 Financial instruments

The Group uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and metal prices. Exposure to these risks is described in the chapter on risk factors in the Registration Document.

26.1 – Carrying amount and nominal amount of derivative financial instruments

Dec 31, 2010						Dec 31, 2011	Dec 31, 2011	
	IFRS designation	Carrying amount	Change over the period			Carrying amount	Nominal amount	
			Statement of income ⁽¹⁾	Equity ⁽²⁾	Other ⁽³⁾		Sale	Purchase
Foreign exchange								
Futures - cash flow hedges	CFH*	(95)	27	16	(7)	(59)	194	(1,404)
Futures - net investment hedges	NIH*	9	-	(59)	-	(50)	1,633	
Futures - hedges of balance sheet items	Trading/ FVH*	(24)	(60)	-	-	(84)	2,632	(1,637)
Metal prices								
Futures and options	CFH*	14	-	(26)	-	(12)		(171)
Share-based payment								
Call options	CFH*	53	(2)	(17)	-	34		(136) ⁽⁴⁾
Interest rates								
Swaps on credit lines	CFH*/FVH*	(24)	(3)	13	-	(14)		(1,131)
DERIVATIVES FINANCIAL INSTRUMENTS		(67)	(38)	(73)	(7)	(185)		

* Cash flow hedge/Fair value hedge/Net investment hedge.

(1) Gains and losses on hedging instruments for the period are offset by changes in the fair value of the underlying, which are also recognised in net result.

(2) Reported in equity under Retained earnings or Translation adjustment.

(3) Telvent's acquisition impact.

(4) 3,300,894 Schneider Electric stocks are hedged in relation to Stock Appreciation Rights granted to US employees.

The carrying amount reflects the fair value of financial instruments.

26.2 – Currency risk

Positions of futures hedges of balance sheet items and net investment by currency

	Dec. 31, 2011		
	Sales	Purchases	Net
AED	115	(12)	103
AUD	219	(49)	170
CHF	18	(10)	8
DKK	6	(68)	(62)
GBP	181	(84)	97
HKD	263	-	263
HUF	30	(50)	(20)
JPY	-	(42)	(42)
RUB	46	-	46
SAR	36	(3)	33
SEK	4	(131)	(127)
SGD	970	(133)	837
USD	2,307	(1,014)	1,293
ZAR	22	-	22
Others	48	(41)	7
TOTAL	4,265	(1,637)	2,628

Theses forward currency hedging positions include EUR1,977 million in hedges of loans and borrowings of a financial nature (net sales) and EUR651 million in hedges of operating cash flows (net sales).

Other cash-flow hedge contracts are mainly related to the following currencies: USD, DKK, BRL, JPY and CAD.

26.3 – Impact of financial instruments

Dec. 31, 2011	Impact on financial income and expense	Impact on Equity		
		Fair value	Translation adjustment	Other
Available-for-sale financial assets	6	(60)	9	-
Loans and accounts receivable	30	-	78	-
Financial liabilities measured at amortized cost	(331)	-	(158)	-
Derivative instruments	(38)	(73)	(2)	-
TOTAL	(333)	(133)	(73)	-

Dec. 31, 2010	Impact on financial income and expense	Impact on Equity		
		Fair value	Translation adjustment	Other
Available-for-sale financial assets	12	(32)	6	-
Loans and accounts receivable	24	-	372	-
Financial liabilities measured at amortized cost	(306)	-	(561)	-
Derivative instruments	(64)	31	2	-
TOTAL	(334)	(1)	(181)	-

- The impact of financial instruments, by category, on profit and equity was as follows:
- the main impact on profit concerned interest income and expense;
- the impact on equity primarily stemmed from the measurement of available-for-sale financial assets and derivative instruments at fair value and from translation adjustments to foreign currency loans, receivables and liabilities.

26.4 – Maturities of financial assets and liabilities

	Up to 1 year	1 to 5 years	> 5 years
Financial liabilities	(1,110)	(4,129)	(2,798)
Financial assets	2,771	191	-
NET POSITION BEFORE HEDGING	1,661	(3,938)	(2,798)

26.5 – Balance sheet amounts for financial instruments by category

(In millions of euros)	Dec. 31, 2011		Breakdown by category			
	Carrying amount	Fair value	Fair value through P&L	Available-for-sale financial assets	Loans, receivables and financial liabilities at amortized cost	Derivative instruments
ASSETS						
Available-for-sale financial assets	296	296	-	296	-	-
Other non-current financial assets	261	261	-	-	261	-
TOTAL NON-CURRENT ASSETS	557	557	-	296	261	-
Current assets:						
Trade accounts receivable	5,484	5,484	-	-	5,484	-
Other receivables	82	82	-	-	-	82
Current financial assets	104	104	104	-	-	-
Marketable securities	634	634	634	-	-	-
TOTAL CURRENT ASSETS	6,304	6,304	738	-	5,484	82
LIABILITIES						
Non-current liabilities:						
Other long-term debt	6,927	7,248	-	-	7,248	-
TOTAL NON-CURRENT LIABILITIES	6,927	7,248	-	-	7,248	-
Current liabilities						
Trade accounts payable	4,094	4,094	-	-	4,094	-
Other	292	292	-	-	25	267
Short-term debt	1,110	1,110	-	-	1,110	-
TOTAL CURRENT LIABILITIES	5,496	5,496	-	-	5,229	267

	Dec. 31, 2010			Breakdown by category		
(In millions of euros)	Carrying amount	Fair value	Fair value through P&L	Available-for-sale financial assets	Loans, receivables and financial liabilities at amortized cost	Derivative instruments
ASSETS						
Available-for-sale financial assets	410	410	-	410	-	-
Other non-current financial assets	144	144	-	-	144	-
TOTAL NON-CURRENT ASSETS	554	554	-	410	144	-
Current assets:						
Trade accounts receivable	4,441	4,441	-	-	4,441	-
Other receivables	118	118	-	-	-	118
Current financial assets	38	38	38	-	-	-
Marketable securities	1,825	1,825	1,825	-	-	-
TOTAL CURRENT ASSETS	6,422	6,422	1,863	-	4,441	118
LIABILITIES						
Non-current liabilities:						
Other long-term debt	5,010	5,276	-	-	5,276	-
TOTAL NON-CURRENT LIABILITIES	5,010	5,276	-	-	5,276	-
Current liabilities						
Trade accounts payable	3,432	3,432	-	-	3,432	-
Other	204	204	-	-	19	185
Short-term debt	1,115	1,115	-	-	1,115	-
TOTAL CURRENT LIABILITIES	4,751	4,751	-	-	4,566	185

26.6 – Fair value hierarchy

The split of financial instruments by fair value level is as follows:

	Dec. 31, 2011			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	191	-	105	296
Net derivative instruments	-	(185)	-	(185)
Marketable securities	634	-	-	634
NET ASSETS AT FAIR VALUE	825	(185)	105	745

	Dec. 31, 2010			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	135	-	275	410
Net derivative instruments	-	(67)	-	(67)
Marketable securities	1,825	-	-	1,825
NET ASSETS AT FAIR VALUE	1,960	(67)	275	2,168



Note 27 Employees

27.1 – Employees

The average number of permanent and temporary employees was as follows in 2010 and 2011:

<i>(number of employees)</i>	2011	2010
Production	70,610	61,911
Administration	69,881	61,571
TOTAL AVERAGE NUMBER OF EMPLOYEES	140,491	123,482
<i>By region:</i>		
EMEAS*	68,392	60,937
North America	27,245	26,324
Asia-Pacific	44,854	36,221

* Europe, Middle-East, Africa, South America.

The increase in the average number of employees is primarily linked to the 2011 acquisitions.

27.2 – Employee benefits expense

	2011	2010
Payroll costs	(5,362)	(4,649)
Profit-sharing and incentive bonuses	(70)	(65)
Stock options	(51)	(31)
WESOP	(9)	(3)
EMPLOYEE BENEFITS EXPENSE	(5,492)	(4,748)

27.3 – Benefits granted to senior executives

In 2011, the Group paid EUR0.57 million in attendance fees to the members of its Supervisory Board. The total amount of gross remuneration, including benefits in kind, paid in 2011 by the Group to the members of Senior Management excluding members of the Management Board totaled EUR12 million, of which EUR4.9 million corresponded to the variable portion.

During the last three periods, 559,000 stock options and 528,482 stock grants have been allocated to members of Senior Management.

Since December 16, 2011, 100% of stock grants and/or stock options are conditional on the achievement of performance criteria for members of the Executive Committee. Amounts here above have been restated to reflect the division by half of the nominal amount of the stock that occurred on September 2, 2011.

Pension obligations with respect to members of Senior Management amounted to EUR76 million at December 31, 2011 versus EUR73 million at December 31, 2010.

Please refer to Chapter 3 Section 8 of the Registration Document for more information regarding the members of Senior Management.

Note 28 Related party transactions

28.1 – Associates

Companies over which the Group has significant influence, accounted for by the equity consolidation method. Transactions with these related parties are carried out on arm's length terms.

Related party transactions were not material in 2011.

28.2 – Related parties with significant influence

No transactions were carried out during the year with members of the Supervisory Board or Management Board.

Compensation and benefits paid to the Group's top senior executives are described in note 27.3.

Note 29 Commitments and contingent liabilities

29.1 – Guarantees and similar undertakings

	Dec. 31, 2011	Dec. 31, 2010
Market counter guarantees ⁽¹⁾	934	880
Pledges, mortgages and sureties ⁽²⁾	15	17
Endorsements and guarantees	-	6
Other commitments given ⁽³⁾	318	175
GUARANTEES GIVEN	1,267	1,078
Endorsements and guarantees received	71	80
GUARANTEES RECEIVED	71	80

(1) On certain contracts, customers require a guarantee from a bank that the contract will be fully executed by the Group. For these contracts the Group gives a counter-guarantee to the bank. If a claim occurs, the risk linked to the commitment is assessed and a provision for contingencies is recorded when the risk is considered probable and can be reasonably estimated.

(2) Certain loans are secured by property, plant and equipment and securities lodged as collateral.

(3) Other guarantees given comprise guarantees given in rental payments.

29.2 – Purchase commitments

Shares in subsidiaries and affiliates

Commitments to purchase equity investments correspond to put options given to minority shareholders in consolidated companies or relate to earn-out payments. The amount of these commitments was not material at December 31, 2011.

Information technology services

The Group is party to an agreement with Capgemini providing for outsourcing (facilities management) of certain of its information technology functions in Europe and deployment of a system of shared SAP management applications. The first pilot version of the global system was implemented in India in April 2007 and the second version was deployed in mid-2008 in several European pilot countries. At the end of 2011, Schneider Electric had capitalised total costs (net of impairment) of EUR142 million. The costs are progressively amortised with effect from 2009, over a seven-year rolling calendar and based on the number of users connected worldwide as the system is deployed.

For 2011, the contractual facilities management costs amount to EUR100 million including the volume and indexing factors provided for by the contract (EUR103 million for 2010).

29.3 – Contingent liabilities

Senior Management believes that the provisions recognised in the balance sheet, in respect of the known claims and litigation to which the Group is a party, should be adequate to ensure that such claims and litigation will not have any substantial impact on the Group's financial position or results. This is notably the case for the potential consequences of a current dispute in Belgium involving former senior executives and managers of the Group.

The Group has entered into a company-wide agreement in respect of individual training entitlement. It has applied the French accounting treatment recommended by opinion 2004-F issued by the CNC's urgent issues committee. Expenditure on individual training is written off as an expense during the period and therefore no provision is made for it. As of December 31, 2011, rights accrued but not used by employees of French entities of the Group corresponded to around 1,643,000 hours.

Note 30 Subsequent events

On February 13, 2012, we received notice that a tax litigation in Spain was settled in favor of Schneider Electric for an amount of EUR20 million excluding late payment interests. This potential tax income was not recorded in 2011 consolidated financial statements.



Note 31 Statutory Auditors' fees

Fees paid by the Group to the Statutory Auditors and their networks:

	2011			
(in thousands of euros)	Ernst & Young	%	Mazars	%
Audit				
Statutory auditing	9,922	91%	7,057	93%
<i>o/w Schneider Electric SA</i>	100		100	
<i>o/w subsidiaries</i>	9,822		6,957	
Related services	788	7%	506	7%
<i>o/w Schneider Electric SA</i>	-		-	
<i>o/w subsidiaries</i>	788		506	
Audit sub-total	10,710	98%	7,563	100%
Other services				
Legal, tax	212	2%	0	0%
TOTAL FEES	10,922	100%	7,563	100%

	2010			
(in thousands of euros)	Ernst & Young	%	Mazars	%
Audit				
Statutory auditing	8,463	87%	6,578	99%
<i>o/w Schneider Electric SA</i>	100		100	
<i>o/w subsidiaries</i>	8,363		6,478	
Related services	1,046	11%	80	1%
<i>o/w Schneider Electric SA</i>	-		-	
<i>o/w subsidiaries</i>	1,046		80	
Audit sub-total	9,509	98%	6,658	100%
Other services				
Legal, tax	211	2%	3	0%
TOTAL FEES	9,720	100%	6,661	100%

Note 32 Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below.

		% interest Dec. 31, 2011	% interest Dec. 31, 2010
Europe			
<i>Fully consolidated</i>			
Schneider Electric Energy Austria AG	Austria	100.0	100.0
MGE UPS Systems Vertriebs 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
Cofibel SA	Belgium	100.0	100.0
Compagnie Financière, Minière et Industrielle SA - Cofimines	Belgium	100.0	100.0
Établissements Crouzet NV	Belgium	100.0	100.0
Schneider Electric Energy Belgium SA	Belgium	100.0	100.0
Schneider Electric SA	Belgium	100.0	100.0
Schneider Electric Services International SPRL	Belgium	100.0	100.0
Summit Energy International BVBA	Belgium	100.0	-
Delixi Electric SEE EOOD	Bulgaria	100.0	100.0
Schneider Electric Bulgaria EOOD	Bulgaria	100.0	100.0
Schneider Electric d.o.o.	Croatia	100.0	100.0
Merten Czech s.r.o.	Czech Republic	100.0	100.0
Schneider Electric AS	Czech Republic	98.3	98.3
Schneider Electric CZ s.r.o.	Czech Republic	100.0	100.0
7-Technologie A/S	Denmark	100.0	-
JO-EL Electric A/S	Denmark	100.0	100.0
Ørbaekvej 280 A/S	Denmark	100.0	100.0
Schneider Electric Buildings Denmark 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
Telvent Denmark ApS	Denmark	100.0	-
Schneider Electric EESTI AS	Estonia	100.0	100.0
Elko Suomi Oy	Finland	100.0	100.0
I-Valo Oy	Finland	100.0	100.0
JO-EL Electric Oy	Finland	100.0	100.0
Oy Lexel Finland Ab	Finland	100.0	100.0
Pelco Finland Oy	Finland	100.0	100.0
Schneider Electric Buildings Finland OY	Finland	100.0	100.0
Schneider Electric Finland Oy	Finland	100.0	100.0
Strömfors Electric Oy	Finland	100.0	100.0
Vamp OY	Finland	100.0	100.0
Alombard SAS	France	100.0	100.0
Schneider Electric Protection et Contrôle SAS	France	100.0	100.0
BCV Technologies SAS	France	100.0	100.0
BEI Ideacod SAS	France	100.0	100.0
Boissière Finance SNC	France	100.0	100.0
Construction Électrique du Vivarais SAS	France	100.0	100.0
Crouzet Automatismes SAS	France	100.0	100.0
D5X	France	100.0	-
Dinel SAS	France	100.0	100.0
Distrelec SA	France	100.0	100.0
Elau SARL	France	100.0	100.0
Electro Porcelaine SAS	France	100.0	100.0
Energy Pool Développement	France	100.0	-



		% interest Dec. 31, 2011	% interest Dec. 31, 2010
Energy Pool International	France	100.0	-
Epsys SAS	France	100.0	100.0
France Transfo SAS	France	100.0	100.0
Infraplus SAS	France	100.0	100.0
Machines Assemblage Automatique SAS	France	100.0	100.0
Merlin Gerin Alès SAS	France	100.0	100.0
Merlin Gerin Alpes SAS	France	100.0	100.0
Merlin Gerin Loire SAS	France	100.0	100.0
Schneider Electric IT France	France	100.0	100.0
Muller & Cie SA	France	100.0	100.0
Newlog SAS	France	100.0	100.0
Normabarre SAS	France	100.0	100.0
Prodipact SAS	France	100.0	100.0
Rectiphase SAS	France	100.0	100.0
Sarel - Appareillage ÉlectriqueSAS	France	99.0	99.0
SCI Auxibati	France	100.0	100.0
Scanelec SAS	France	100.0	100.0
Schneider Automation SAS	France	100.0	100.0
Schneider Electric Consulting SAS	France	100.0	100.0
Schneider Electric Energy France SAS	France	100.0	100.0
Schneider Electric Foncière SAS - S.E.L.F.	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 Holding Europe SAS	France	100.0	100.0
Schneider Electric Industries SAS	France	100.0	100.0
Schneider Electric International SAS	France	100.0	100.0
Schneider Electric Manufacturing Bourguebus SAS	France	100.0	100.0
Schneider Electric SA (Holding company)	France	100.0	100.0
Schneider Electric Telecontrol SAS	France	100.0	100.0
Schneider Toshiba Inverter Europe SAS	France	60.0	60.0
Schneider Toshiba Inverter SAS	France	60.0	60.0
Société d'Appareillage Électrique Gardy SAS	France	100.0	100.0
Société d'Application et d'Ingénierie Industrielle et Informatique SAS - SA3I	France	100.0	100.0
Société Électrique d'Aubenas SAS	France	100.0	100.0
Société Française de Construction Mécanique et ÉlectriqueSA	France	100.0	100.0
Société Française Gardy SA	France	100.0	100.0
Société pour l'équipement des industries chimiques SA	France	100.0	100.0
Société Rhodanienne d'Études et de Participations SAS	France	100.0	100.0
Spie Capag SA	France	100.0	100.0
Systèmes Équipements Tableaux Basse Tension SAS	France	100.0	100.0
Transfo Services SAS	France	100.0	100.0
Vizelia	France	100.0	-
APC Deutschland GmbH	Germany	100.0	100.0
Berger Lahr Positec GmbH	Germany	100.0	100.0
Crouzet GmbH	Germany	100.0	100.0
Elso GmbH	Germany	100.0	100.0
Kavlico GmbH	Germany	100.0	100.0
Merten GmbH	Germany	100.0	100.0
Merten Holding GmbH	Germany	100.0	100.0
MGE USV-Systeme GmbH	Germany	100.0	100.0
Schneider Electric Automation Deutschland GmbH	Germany	100.0	100.0
Schneider Electric Automation GmbH	Germany	100.0	100.0
Schneider Electric Buildings Germany GmbH	Germany	100.0	100.0
Schneider Electric Deutschland Energy GmbH	Germany	100.0	100.0
Schneider Electric Deutschland GmbH	Germany	100.0	100.0

		% interest Dec. 31, 2011	% interest Dec. 31, 2010
Schneider Electric Energy GmbH	Germany	100.0	100.0
Schneider Electric GmbH	Germany	100.0	100.0
Schneider Electric Motion Deutschland GmbH	Germany	100.0	100.0
Schneider Electric Motion Real Estate GmbH	Germany	100.0	100.0
Schneider Electric Sachsenwerk GmbH	Germany	100.0	100.0
Telvent Deutschland GmbH	Germany	100.0	-
Uniflair GmbH	Germany	100.0	-
Verwaltung SVEA Building Control Systems GmbH	Germany	100.0	100.0
Schneider Electric AE	Greece	100.0	100.0
Schneider Electric IT Greece ABEE	Greece	100.0	100.0
BEI Automotive Hungary Manufacturing Inc.	Hungary	100.0	100.0
CEE Schneider Electric Közép-Kelet Europai Korlatolt Felelősségű Tarsasag	Hungary	100.0	100.0
Schneider Electric Energy Hungary LTD	Hungary	100.0	100.0
Schneider Electric IT Hungary Kft	Hungary	100.0	100.0
Schneider Electric Hungaria Villamassagi ZRT	Hungary	100.0	100.0
Uniflair Magyarorszag Kft	Hungary	100.0	-
APC (EMEA) Ltd	Ireland	100.0	100.0
Schneider Electric Buildings Ireland Ltd	Ireland	100.0	100.0
Schneider Electric Ireland	Ireland	100.0	100.0
Schneider Electric IT Logistics Europe Ltd	Ireland	100.0	100.0
Square D Company Ireland Ltd	Ireland	100.0	100.0
Thorsman Sales Ireland Ltd	Ireland	100.0	100.0
Crouzet Componenti Srl	Italy	100.0	100.0
SAIP & Schyller Spa	Italy	100.0	100.0
Schneider Electric Energy Manufacturing Italia Srl	Italy	100.0	100.0
Schneider Electric Industrie Italia Spa	Italy	100.0	100.0
Schneider Electric IT Italia Srl	Italy	100.0	100.0
Schneider Electric Spa	Italy	100.0	100.0
Uniflair Spa	Italy	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
COC Luxembourg S.à r.l.	Luxembourg	100.0	100.0
Comodot S.à r.l.	Luxembourg	100.0	100.0
Industrielle de Réassurance SA	Luxembourg	100.0	100.0
Maha Investment	Luxembourg	100.0	-
SGBT European Major Investments SA	Luxembourg	100.0	100.0
SHL Luxembourg S.à r.l.	Luxembourg	100.0	100.0
American Power Conversion Corp (A.P.C.) BV	Netherlands	100.0	100.0
APC Holdings BV	Netherlands	100.0	100.0
APC International Corporation BV	Netherlands	100.0	100.0
APC International Holdings BV	Netherlands	100.0	100.0
Control Microsystems BV	Netherlands	100.0	100.0
Crouzet BV	Netherlands	100.0	100.0
Elau BV	Netherlands	100.0	100.0
Pelco Europe BV	Netherlands	100.0	100.0
Pro-Face HMI BV (sub-group)	Netherlands	99.9	99.9
Sandas Montage BV	Netherlands	100.0	100.0
Schneider Electric BV	Netherlands	100.0	100.0
Schneider Electric Energy Netherlands 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
Summit Energy Services BV	Netherlands	100.0	-
Telvent Netherlands BV	Netherlands	100.0	-
U.P.S. Systems MGE BV	Netherlands	100.0	100.0



		% interest Dec. 31, 2011	% interest Dec. 31, 2010
ELKO AS	Norway	100.0	100.0
JO-EL Electric AS	Norway	100.0	100.0
Lexel Holding Norgue AS	Norway	100.0	100.0
Schneider Electric IT Norway AS	Norway	100.0	100.0
Schneider Electric Norge AS	Norway	100.0	100.0
Schneider Electric Buildings Norway AS	Norway	100.0	100.0
Elda Eltra S.A. (ex Eltra SA)	Poland	100.0	100.0
Schneider Electric Buildings Polska Sp. z.o.o.	Poland	100.0	100.0
Schneider Electric Energy Poland Sp. z.o.o.	Poland	100.0	100.0
Schneider Electric Industries Polska SP	Poland	100.0	100.0
Schneider Electric IT Poland Sp. z.o.o.	Poland	100.0	100.0
Schneider Electric Polska SP	Poland	100.0	100.0
Schneider Electric II IT Portugal LDA	Portugal	100.0	100.0
Schneider Electric Portugal LDA	Portugal	100.0	100.0
Telvent Portugal SA	Portugal	100.0	-
Schneider Electric Romania SRL	Romania	100.0	100.0
DIN Elektro Kraft OOO	Russia	100.0	100.0
LLC Schneider Electric Zavod ElectroMonoblock	Russia	100.0	100.0
OOO Schneider Electric Buildings (Russia)	Russia	100.0	100.0
OOO Lexel Elektromaterialy (SPB)	Russia	100.0	100.0
OOO RusEI	Russia	100.0	100.0
OOO Schneider Electric Kaliningrad	Russia	100.0	100.0
Relay Protection Vamp CJSC	Russia	100.0	100.0
Schneider Electric Equipment Kazan Ltd	Russia	100.0	100.0
ZAO Potential	Russia	100.0	100.0
ZAO Schneider Electric	Russia	100.0	100.0
Schneider Electric Srbija d.o.o. Beograd	Serbia	100.0	100.0
Telvent DMS LLC for Power Engineering Nove Sad	Serbia	57.0	-
Schneider Electric Slovakia Spol SRO	Slovakia	100.0	100.0
Schneider Electric d.o.o.	Slovakia	100.0	100.0
EFI Electronics Europe SL	Spain	100.0	100.0
Keyland Sistemas de Gestion SL	Spain	50.0	-
Manufacturas Electricas SA	Spain	100.0	100.0
Schneider Electric IT, Spain SL	Spain	100.0	100.0
Schneider Electric Energy Spain SL	Spain	100.0	100.0
Schneider Electric Espana SA	Spain	100.0	100.0
Telemantenimiento de Alta Tension, SL	Spain	100.0	100.0
Telvent Arce Sistemas, SA	Spain	100.0	-
Telvent Energia SA	Spain	100.0	-
Telvent Environment SA	Spain	100.0	-
Telvent Export SL	Spain	100.0	-
Telvent GiT SA	Spain	100.0	-
Telvent Global Services, SA	Spain	100.0	-
Telvent Servicios Compartidos SA	Spain	100.0	-
Telvent Trafico y Transporte SA	Spain	100.0	-
Trafico Ingenieria SA	Spain	100.0	-
Uniflair Iberica SA	Spain	100.0	-
AB Crahtfere 1	Sweden	100.0	100.0
AB Wibe	Sweden	100.0	100.0
AB Wibe Telescopic Masts	Sweden	-	100.0
Elau AB	Sweden	100.0	100.0
Elektriska AB Delta	Sweden	100.0	100.0
Elko AB	Sweden	100.0	100.0
JO-EL Electric AB	Sweden	100.0	100.0
Lexel AB	Sweden	100.0	100.0
Pelco Sweden AB	Sweden	100.0	100.0

		% interest Dec. 31, 2011	% interest Dec. 31, 2010
Pele Security AB	Sweden	100.0	-
Pisara AB	Sweden	100.0	100.0
Schneider Electric Buildings AB	Sweden	100.0	100.0
Schneider Electric Buildings Sweden AB	Sweden	100.0	100.0
Schneider Electric Distribution Centre AB	Sweden	100.0	100.0
Schneider Electric IT Sweden AB	Sweden	100.0	100.0
Schneider Electric Sverige AB	Sweden	100.0	100.0
Telvent Sweden AB	Sweden	100.0	-
Thorsman & Co AB	Sweden	100.0	100.0
Crouzet AG	Switzerland	100.0	100.0
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100.0	100.0
Schneider Electric IT Switzerland AG	Switzerland	100.0	100.0
Schneider Electric Finances SA	Switzerland	100.0	100.0
Schneider Electric (Schweitz) AG	Switzerland	100.0	100.0
Schneider Electric Ukraine	Ukraine	100.0	100.0
Ajax Electrical Ltd	United Kingdom	100.0	100.0
Andromeda Telematics Ltd	United Kingdom	100.0	-
Andromeda Telematics Holdings Ltd	United Kingdom	100.0	-
APC Power and Cooling, UK Ltd	United Kingdom	100.0	100.0
APC UK Ltd	United Kingdom	100.0	100.0
C-Matic Systems Ltd	United Kingdom	100.0	-
CBS Group Ltd	United Kingdom	100.0	100.0
Crouzet Ltd	United Kingdom	100.0	100.0
Crydom SSR Ltd	United Kingdom	100.0	100.0
Elau Ltd	United Kingdom	100.0	100.0
Kell Systems Ltd	United Kingdom	100.0	-
Lexel Holdings (UK) Ltd	United Kingdom	100.0	100.0
Newall Measurement Systems Ltd	United Kingdom	100.0	100.0
Pelco UK Ltd	United Kingdom	100.0	100.0
Power Measurement Ltd	United Kingdom	100.0	-
Powerman Ltd (ex Grawater of Wakefield Ltd)	United Kingdom	100.0	100.0
Sarel 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 Energy Holdings UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Energy 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
Serck Control and Safety Ltd	United Kingdom	100.0	100.0
Serck Controls Ltd	United Kingdom	100.0	100.0
Telvent UK Ltd	United Kingdom	100.0	-
<i>Accounted for by equity method</i>			
Delta Dore Finance SA (sub-group)	France	20.0	20.0
Möre Electric Group A/S	Norway	34.0	34.0
Electroshield TM Samara (sub-group)	Russia	50.0	50.0
North America			
<i>Fully consolidated</i>			
Control Microsystems Inc.	Canada	100.0	100.0
Juno Lighting Ltd	Canada	100.0	100.0
Novasena 1 ULC	Canada	100.0	100.0
Novasena 2 ULC	Canada	100.0	100.0
Power Measurement Ltd	Canada	100.0	100.0
Schneider Electric Canada Inc.	Canada	100.0	100.0
Telvent Canada Ltd	Canada	100.0	-
Trio Datacom Inc.	Canada	100.0	100.0



		% interest Dec. 31, 2011	% interest Dec. 31, 2010
Viconics Technologies Inc.	Canada	100.0	-
APC Mexico, S.A. de C.V.	Mexico	100.0	100.0
Automatismo Crouzet De Mexico, S.A. de C.V.	Mexico	100.0	100.0
Custom Sensors & Technologies Mexico, S.A. de C.V.	Mexico	100.0	100.0
Custom Sensors & Technologies Transportation de México, S.A. de C.V.	Mexico	100.0	100.0
Gestion Integral de Proyectos y Ingenieria, S.A. de C.V.	Mexico	99.8	-
Industrias Electronicas Pacifico, S.A. de C.V.	Mexico	100.0	100.0
MGE Systems Mexico, S.A. de C.V.	Mexico	100.0	100.0
Ram Tech Manufacturing de Mexico S de R.L. de C.V.	Mexico	100.0	100.0
Ram Tech Services de Mexico S de R.L. de C.V.	Mexico	100.0	100.0
Schneider Electric Administracion, S.A. de C.V.	Mexico	100.0	100.0
Schneider Electric Mexico, S.A. de C.V.	Mexico	100.0	100.0
Schneider Industrial Tlaxcala, S.A. de C.V.	Mexico	100.0	100.0
Schneider Mexico, S.A. de C.V.	Mexico	100.0	100.0
Schneider R&D, S.A. de C.V.	Mexico	100.0	100.0
Schneider Recursos Humanos, S.A. de C.V.	Mexico	100.0	100.0
Steck de Mexico S.A. de C.V.	Mexico	100.0	-
Square D Company Mexico, S.A. de C.V.	Mexico	100.0	100.0
Telvent Mexico S.A. de C.V.	Mexico	99.8	-
Adaptive Instruments Corp.	USA	100.0	100.0
American Power Conversion Federal Systems, Inc.	USA	100.0	100.0
APC America Inc.	USA	100.0	100.0
APC Corp.	USA	100.0	100.0
APC Holdings Inc.	USA	100.0	100.0
APC Sales & Service Corp.	USA	100.0	100.0
BEI Precisions Systems & Space Co. Inc.	USA	100.0	100.0
BEI Sensors & Systems Company, Inc.	USA	100.0	100.0
Control Microsystems U.S. Inc.	USA	100.0	100.0
Crydom, Inc.	USA	100.0	100.0
Custom Sensors & Technologies, Inc.	USA	100.0	100.0
Delsena 1, LLC	USA	100.0	100.0
Delsena 2, LLC	USA	100.0	100.0
Juno Lighting LLC	USA	100.0	100.0
Juno Manufacturing Inc.	USA	100.0	100.0
Kavlico Corp.	USA	100.0	100.0
Lee Technologies, LLC	USA	100.0	-
Lee Technologies Group, LLC	USA	100.0	-
Lee Technologies Puerto Rico, LLC	USA	100.0	-
Lee Technologies Services, LLC	USA	100.0	-
Neovasys Inc.	USA	100.0	100.0
Netbotz Inc.	USA	100.0	100.0
Newall Electronics Inc.	USA	100.0	100.0
P.H.L. Four, Inc.	USA	80.0	80.0
P.H.L. One, Inc.	USA	80.0	80.0
Pacsena LP	USA	100.0	100.0
Palatine Hills Leasing Inc.	USA	80.0	80.0
Pelco, Inc.	USA	100.0	100.0
Power Measurement Inc.	USA	100.0	100.0
Pro-face America, LLC	USA	100.0	100.0
Schneider Electric Buildings Americas, Inc.	USA	100.0	100.0
Schneider Electric Buildings Critical Systems, Inc.	USA	100.0	100.0
Schneider Electric Buildings, LLC	USA	100.0	100.0
Schneider Electric Engineering Services, LLC	USA	100.0	100.0
Schneider Electric Holdings Inc.	USA	100.0	100.0
Schneider Electric Investments 2, Inc.	USA	100.0	100.0
Schneider Electric Motion USA, Inc.	USA	100.0	100.0

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL

		% interest Dec. 31, 2011	% interest Dec. 31, 2010
Schneider Electric Summit Holdings, Inc.	USA	100.0	-
Schneider Electric USA, Inc.	USA	100.0	100.0
Schneider Electric Vermont Ltd	USA	100.0	100.0
SNA Holdings Inc.	USA	100.0	100.0
Square D Investment Company	USA	100.0	100.0
Summit Belgium I, Inc.	USA	100.0	-
Summit Belgium II, Inc.	USA	100.0	-
Summit Energy Services, Inc.	USA	100.0	-
Telvent Farradyne Engineering, PC	USA	100.0	-
Telvent Services Inc.	USA	100.0	-
Telvent USA Corp.	USA	100.0	-
Veris Industries LLC	USA	100.0	100.0
Xantrex Technology Inc.	USA	100.0	100.0
Asia-Pacific			
<i>Fully consolidated</i>			
APC Australia Pty. Limited	Australia	100.0	100.0
Clipsal Australia Pty. Limited	Australia	100.0	100.0
Clipsal Integrated Systems Pty. Limited	Australia	100.0	100.0
Clipsal Technologies Australia Pty. Limited	Australia	100.0	100.0
Control Microsystems Asia Pacific Pty. Ltd	Australia	100.0	100.0
Pelco Australia Pty. Limited	Australia	100.0	100.0
Scadagroup Pty. Ltd	Australia	100.0	100.0
Schneider Electric (Australia) Pty. Limited	Australia	100.0	100.0
Schneider Electric Australia Holdings Pty. Limited	Australia	100.0	100.0
Schneider Electric Buildings Australia Pty. Limited	Australia	100.0	100.0
Serck Controls Pty. Ltd	Australia	100.0	100.0
Telvent Australia Pty. Limited	Australia	100.0	-
APC (Suzhou) Uninterrupted Power Supply Co., Ltd.	China	100.0	100.0
APC (Xiamen) Power Infrastructure Co., Ltd.	China	100.0	100.0
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100.0	100.0
Schneider Electric Huadian Switchgear (Xiamen) Co., Ltd	China	55.0	55.0
Shanghai Schneider Electric Power Automation Co. Ltd	China	59.0	59.0
Schneider Switchgear (Suzhou) Co, Ltd	China	58.0	58.0
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100.0	-
Beijing Leader & Harvest Energy Efficiency Investments Co. Ltd	China	100.0	-
Beijing Merlin Great Wall Computer Room Equipment & Engineering Co. Ltd	China	75.0	75.0
Citect Controls Systems (Shanghai) Ltd	China	100.0	100.0
Clipsal Manufacturing (Huizhou) Ltd	China	100.0	100.0
Custom Sensors & Technologies Asia (Shanghai) Ltd	China	100.0	100.0
Foshan Gaoming TAC Electronic & Electrical Products Company Ltd	China	100.0	100.0
Foshan Wilco Electrical Trading Co Ltd	China	100.0	100.0
MERTEN Shanghai Electric Technology Co. Ltd	China	100.0	100.0
MGE Manufacturing Shanghai Co. Ltd	China	100.0	100.0
Proface China International Trading (Shanghai) Co. Ltd	China	99.9	99.9
RAM Electronic Technology and Control (Wuxi) Co., Ltd	China	100.0	100.0
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95.0	95.0
Schneider (Beijing) Medium Voltage Co. Ltd	China	95.0	95.0
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70.0	70.0
Schneider (Shanghai) Supply Co. Ltd	China	100.0	100.0
Schneider (Suzhou) Drives Company Ltd	China	90.0	90.0
Schneider (Suzhou) Enclosure Systems Co Ltd	China	100.0	100.0
Schneider (Suzhou) Transformers Co. Ltd	China	100.0	100.0
Schneider Automation Solutions (Shanghai) Co., Ltd.	China	100.0	100.0
Schneider Busway (Guangzhou) Ltd	China	95.0	95.0
Schneider Electric (China) Investment Co. Ltd	China	100.0	100.0
Schneider Electric International Trading (Shanghai) Co., Ltd.	China	100.0	100.0



		% interest Dec. 31, 2011	% interest Dec. 31, 2010
Schneider Electric IT (China) Co., Ltd	China	100.0	100.0
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75.0	75.0
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100.0	100.0
Schneider Shanghai Industrial Control Co. Ltd	China	80.0	80.0
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75.0	75.0
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80.0	80.0
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100.0	100.0
Telvent - BBS High & New Tech (Beijing) Co. Ltd	China	80.0	-
Telvent Control System (China) Co. Ltd	China	100.0	-
Tianjin Merlin Gerin Co. Ltd	China	75.0	75.0
Wuxi Proface Electronic Co.Ltd	China	99.9	99.9
Clipsal Asia Holdings Limited	Hong Kong	100.0	100.0
Clipsal Asia Limited	Hong Kong	100.0	100.0
Clipsal Industries Hong Kong Limited	Hong Kong	100.0	100.0
Custom Sensors & Technologies Asia (Hong Kong) Limited	Hong Kong	100.0	100.0
Luminous Power Technologies (HK) Ltd	Hong Kong	100.0	-
Schneider Electric IT Hong Kong Limited	Hong Kong	100.0	100.0
Schneider Electric (Hong Kong) Limited	Hong Kong	100.0	100.0
Schneider Electric Asia Pacific Limited	Hong Kong	100.0	100.0
APC India Private Ltd	India	100.0	100.0
APW President Systems Ltd	India	75.0	-
Cimac Automation Private Ltd	India	85.0	85.0
Cimac Software Systems Private Ltd	India	85.0	85.0
CST Sensors India Private Limited	India	100.0	100.0
Luminous Power Technologies Private Ltd	India	100.0	-
Luminous Renewable Energy Solutions Private Ltd	India	100.0	-
Luminous Teleinfra Ltd	India	100.0	-
Schneider Electric India Private Ltd	India	100.0	100.0
Uniflair India Private Ltd	India	100.0	-
PT Clipsal Manufacturing Jakarta	Indonesia	100.0	100.0
PT Schneider Electric IT Indonesia	Indonesia	100.0	100.0
PT Merten Intec Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Manufacturing Batam	Indonesia	100.0	100.0
APC Japan, Inc.	Japan	100.0	100.0
Digital Electronics Corporation	Japan	99.9	99.9
Schneider Electric Japan Holdings Ltd	Japan	100.0	100.0
Toshiba Schneider Inverter Corp.	Japan	60.0	60.0
Clipsal Integrated Systems (M) Sdn Bhd	Malaysia	100.0	100.0
Clipsal Manufacturing (M) Sdn Bhd	Malaysia	100.0	100.0
DESEA 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
PDL Electric (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (Malaysia) Sdn Bhd	Malaysia	30.0	30.0
Schneider Electric Energy Malaysia Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric Industries (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric IT Malaysia Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric Manufacturing (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (NZ) Ltd	New Zealand	100.0	100.0
American Power Conversion Land Holdings Inc.	Philippines	100.0	100.0
Clipsal Philippines	Philippines	100.0	100.0
MGE UPS Systems Philippines Inc.	Philippines	100.0	100.0
Schneider Electric (Philippines) Inc.	Philippines	100.0	100.0
Clipsal International Pte. Ltd	Singapore	100.0	100.0

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL

		% interest Dec. 31, 2011	% interest Dec. 31, 2010
KSLA Energy & Power Solution Pte. Ltd	Singapore	100.0	100.0
Merten Asia Pte. Ltd	Singapore	100.0	100.0
Pelco Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Buildings Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Export Services Pte. Ltd	Singapore	100.0	100.0
Schneider Electric IT Logistics Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Schneider Electric IT Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Logistics Asia Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Overseas Asia Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric South East Asia (HQ) Pte. Ltd	Singapore	100.0	100.0
Pro Face Korea Co. Ltd	South Korea	99.9	99.9
Schneider Electric Korea Ltd (ex Samwha EOCR Co. Ltd)	South Korea	100.0	100.0
Schneider Electric Lanka (Private) Limited	Sri Lanka	100.0	100.0
Pro Face Taiwan Co. Ltd	Taiwan	99.9	99.9
Schneider Electric Taiwan Co Ltd	Taiwan	100.0	100.0
Clipsal (Thailand) Co. Ltd	Thailand	95.1	95.1
MGE UPS Systems SA (Thailand) Co. Ltd	Thailand	100.0	100.0
Pro Face South East Asia Pacific Co. Ltd	Thailand	100.0	100.0
Schneider (Thailand) Ltd	Thailand	100.0	100.0
Schneider Electric CPCS (Thailand) Co. Ltd.	Thailand	100.0	100.0
Square D Company (Thailand) Ltd	Thailand	100.0	100.0
Telvent Thailandia Ltd	Thailand	100.0	-
Clipsal Vietnam Co. Ltd	Vietnam	100.0	100.0
MGE UPS Systems Viet Nam Limited	Vietnam	100.0	100.0
Schneider Electric Vietnam Co. Ltd	Vietnam	100.0	100.0
<i>Accounted for by proportionate method</i>			
Delixi Electric Ltd (sub-group)	China	50.0	50.0
<i>Accounted for by equity method</i>			
Sunten Electric Equipment	China	50.0	50.0
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	37.0	37.0
Rest of the world			
<i>Fully consolidated</i>			
Delixi Electric Algeria	Algeria	100.0	100.0
SARL Schneider Electric Algeria	Algeria	100.0	100.0
MGE UPS Systems Argentina S.A	Argentina	100.0	100.0
Schneider Electric Argentina SA	Argentina	100.0	100.0
Steck Electric SA	Argentina	100.0	-
Telvent Argentina SA	Argentina	100.0	-
Clipsal Middle East	Bahrain	80.0	80.0
APC Brasil Ltda	Brasil	100.0	100.0
CST Latino America Comercio E Representacao de Produtos Electronicos Ltda	Brasil	99.8	99.8
Matchmind Software Ltda	Brasil	100.0	-
Microsol Tecnologia SA	Brasil	100.0	100.0
Ram Do Brasil, Ltda	Brasil	100.0	100.0
Schneider Electric Brasil Ltda	Brasil	100.0	100.0
MGE UPS Systems Do Brasil Ltda	Brasil	100.0	100.0
Schneider Electric Participacoes Do Brasil Ltda	Brasil	100.0	-
Telvent Brazil SA	Brasil	100.0	-
Softbrasil Automação Ltda	Brasil	100.0	100.0
Steck da Amazonia Industria Electronica Ltda	Brasil	100.0	-
Steck Industria Electronica Ltda	Brasil	100.0	-
Inversiones Schneider Electric Uno Limitada	Chile	100.0	100.0
Marisio SA	Chile	100.0	100.0
Schneider Electric Chile SA	Chile	100.0	100.0
Telvent Chile SA	Chile	100.0	-



		% interest Dec. 31, 2011	% interest Dec. 31, 2010
Dexson Electric SA	Colombia	100.0	100.0
Schneider de Colombia SA	Colombia	85.0	85.0
Schneider Centroamerica SA	Costa Rica	100.0	100.0
Delixi Electric Egypt s.a.e	Egypt	98.0	98.0
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SA	Egypt	91.0	91.0
Schneider Electric Industries Iran	Iran	89.0	89.0
Telemecanique Iran	Iran	100.0	100.0
Schneider Electric LLP	Kazakhstan	100.0	100.0
Schneider Electric East Mediterranean SAL	Lebanon	96.0	96.0
Crouzet SA	Morocco	100.0	100.0
Delixi Electric Maroc SARL AU	Morocco	100.0	100.0
Schneider Electric IT Morocco, SA	Morocco	100.0	100.0
Schneider Electric Maroc	Morocco	100.0	100.0
Delixi Electric West Africa Ltd	Nigeria	100.0	100.0
Schneider Electric Nigeria Ltd	Nigeria	100.0	100.0
Schneider Electric Oman LLC	Oman	100.0	100.0
Schneider Electric Pakistan (Private) Limited	Pakistan	80.0	80.0
Schneider Electric Peru SA	Peru	100.0	100.0
Cimac Electrical and Automation W.L.L	Qatar	75.0	75.0
EPS Electrical Power Distribution Board & Switchgear Ltd	Saudi Arabia	51.0	51.0
Telvent Saudi Arabia Co. Ltd	Saudi Arabia	100.0	-
Delixi Electric South Africa (Pty) Ltd	South Africa	100.0	100.0
Merlin Gerin SA (Pty) Ltd	South Africa	80.0	80.0
Schneider Electric IT South Africa (Pty) Ltd	South Africa	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	-
Schneider Enerji Endustrisi Sanayi Ve Ticaret	Turkey	100.0	100.0
DMR Demirbag Elektrik Malzemeleri Ticaret Anonim Sirketi	Turkey	100.0	100.0
Metesan Elektrik Malzemeleri Ticaret Ve Pazarlama A.S	Turkey	100.0	100.0
Schneider Electric Bilgi Teknolojileri Ticaret Ve Pazarlama A.S	Turkey	100.0	100.0
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
Cimac Electrical and Control Systems LLC	United Arab Emirates	80.0	80.0
Cimac FZCO	United Arab Emirates	100.0	100.0
Cimac LLC	United Arab Emirates	49.0	49.0
Clipsal Middle East FZC	United Arab Emirates	100.0	100.0
Clipsal Middle East FZCO	United Arab Emirates	60.0	60.0
CLS Systems FZCO	United Arab Emirates	100.0	100.0
Delixi Electric FZE	United Arab Emirates	100.0	100.0
Hunter Watertech Middle East FZE	United Arab Emirates	100.0	100.0
Schneider Electric DC MEA FZCO	United Arab Emirates	100.0	100.0
Schneider Electric FZE	United Arab Emirates	100.0	100.0
Schneider Electric RAK FZE	United Arab Emirates	100.0	100.0
APC Uruguay SA	Uruguay	100.0	100.0
Schneider Electric Venezuela SA	Venezuela	91.9	91.9
Telvent Venezuela SA	Venezuela	50.0	-

> 6. Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying consolidated financial statements of Schneider Electric SA;
- the justification of our assessments;
- the specific verification required by French law.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I – Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated 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, 2011 and of the results of its operations for the year then ended in accordance with IFRS, as adopted by the European Union.

II – Justification of assessments

In accordance with the requirements of article L. 823-9 of French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 1.8 to the consolidated financial statements explains the method for recognizing research and development costs and describes the criteria under which development costs may be capitalized. We reviewed the data and assumptions used to identify projects that qualify for capitalization, as well as the Group's calculations, and verified that adequate disclosure is made in the notes to the consolidated financial statements.
- As explained in notes 1.10 and 8 to the consolidated financial statements, intangible assets and goodwill are tested for

impairment at least once a year and when factors exist indicating that the related assets may have suffered a loss of value. We analysed, on a test basis, the indicators of a loss of value and the other information evidencing the absence of any loss of value. We reviewed the data, assumptions used, and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements.

- As indicated in notes 1.15 and 16 to the consolidated financial statements, future tax benefits arising from the utilization of tax loss carry forwards are recognized only when they can reasonably be expected to be realized. We verified the reasonableness of the assumptions used to produce estimate of future taxable income used to support assessments of the recoverability of these deferred tax assets.
- Notes 1.18 and 22 describe the method for valuing pensions and other post-employment obligations. Actuarial valuations were performed for these commitments. We reviewed the data, assumptions used, and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements.
- Note 7 "Restructuring costs" states the amount of restructuring costs recorded in 2011. We verified that, based on currently available information, these costs concern restructuring measures initiated or announced before December 31, 2011, for which provisions have been recorded based on an estimate of the costs to be incurred. We also reviewed the data and assumptions used by the Group to make these estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III – Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matter to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Paris-La Défense, February 21, 2012

The Statutory Auditors

French original signed by

Mazars

David CHAUDAT

Ernst & Young et Autres

Yvon SALAÜN





CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



Company financial statements

1. Balance sheet	220
2. Statement of income	222
3. Notes to the financial statements	223
4. Statutory Auditors' report on the financial statements	234
5. List of securities held at December 31, 2011	235
6. Subsidiaries and affiliates	236
7. The Company's financial results over the last five years	238

> 1. Balance sheet

Assets

<i>(in thousands of euros)</i>	Notes	Gross	A. & D. or Prov.	Dec. 31, 2011 Net	Dec. 31, 2010 Net	Dec. 31, 2009 Net
Non-current assets:						
<i>Intangible assets</i>	1.1					
Intangible rights		27,474	(27,474)	-	-	-
Property, plant and equipment	1.2					
Land		2,954	-	2,954	2,964	2,965
Buildings		48	(48)	-	-	-
Other		1,469	(243)	1,226	1,226	1,226
		31,945	(27,765)	4,180	4,190	4,191
<i>Investments</i>						
Shares in subsidiaries and affiliates	2.1	4,607,2124	(17,896)	4,589,316	4,590,207	4,590,203
Other investment securities	2.2	160,081	(77)	160,004	160,004	160,004
Advances to subsidiaries and affiliates	2.3	3,606,707	(61)	3,606,646	3,139,977	3,139,107
Other		-	-	-	-	-
		8,373,999	(18,034)	8,355,966	7,890,188	7,889,315
Total non-current assets		8,405,945	(45,799)	8,360,146	7,894,378	7,893,505
Current assets:						
<i>Accounts receivable</i>						
Accounts receivable - trade		101	-	101	58	136
Other	3	180,085	(45,256)	134,829	185,047	2,394
		180,186	(45,256)	134,930	185,105	2,529
<i>Cash and cash equivalents</i>						
Marketable securities	4	217,284	(17,604)	199,680	217,284	219,240
Advances to the Group cash pool	5	9,845,777	-	9,845,777	6,481,885	6,065,867
Other		5	-	5	981	15
		10,063,066	(17,604)	10,045,461	6,700,150	6,285,122
Total current assets		10,243,253	(62,860)	10,180,391	6,885,255	6,287,651
Accruals and other assets:						
Prepaid expenses	6.1	1,621	-	1,621	1,696	1,616
Deferred charges	6.2	11,815	-	11,815	8,943	8,952
Call premiums	6.3	52,287	-	52,287	49,995	53,593
Translation losses		-	-	-	-	-
TOTAL ASSETS		18,747,717	(108,659)	18,639,056	14,840,268	14,245,318

The notes form an integral part of these company financial statements.

Equity and liabilities

<i>(in thousands of euros)</i>	Note	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Equity:				
Share capital	7.1	2,195,772	2,175,673	2,102,016
Additional paid-in capital	7.2	6,587,655	6,392,899	5,831,637
Reserves and retained earnings				
Legal reserve		217,567	210,202	197,941
Retained earnings	7.3	96,496	256,681	322,373
Net income for the financial year		2,603,738	702,982	475,753
Untaxed provisions		2	2	425
Total equity		11,701,230	9,738,439	8,930,145
Provisions for contingencies and pension accruals:	8			
Provisions for contingencies		45	45	959
Provisions for pension accruals		31,721	31,704	31,779
Total provisions for contingencies and pension accruals		31,766	31,749	32,738
Non-current liabilities:				
Bonds	9	5,750,973	4,544,565	4,707,565
Other borrowings	10	527,889	510,369	514,487
Amounts payable to subsidiaries and affiliates		13	13	13
Borrowings and financial liabilities	11	190,064	3	46,678
		6,468,939	5,054,951	5,268,743
Current liabilities:				
Accounts payable – trade		276	288	251
Accrued taxes and payroll costs		394,073	5,148	3,363
Other		9,834	9,694	10,013
		404,183	15,130	13,626
Total non-current and current liabilities		6,873,122	5,070,081	5,282,369
Deferred income	12	141	-	66
Translation gains		32,797	-	-
TOTAL EQUITY AND LIABILITIES		18,639,056	14,840,268	14,245,318

The notes form an integral part of these company financial statements.



> 2. Statement of income

<i>(in thousands of euros)</i>	Note	2011	2010	2009
Sales of services and other		261	2,379	2,455
Reversals of provisions, depreciation and amortisation and expense transfers		1,987	1,992	2,424
Operating revenues		2,249	4,371	4,879
Purchases and external expenses		9,094	5,549	8,533
Taxes other than on income		4,455	1,726	2,063
Payroll expenses		2,719	8,198	5,862
Depreciation, amortisation and provision expense		500	200	1,973
Other operating expenses and joint-venture losses		1,392	1,005	1,257
Operating expenses		18,159	16,678	19,689
Operating profit/loss		(15,910)	(12,307)	(14,810)
Dividend income		1,436,419	691,233	540,925
Interest income		216,004	142,631	182,775
Reversals of impairment provisions for long-term receivables and other		0	0	103
Financial income		1,652,422	833,864	723,803
Interest expense		296,408	319,904	321,229
Provision expense		3,789	4,484	1,926
Financial expenses		300,197	324,388	323,155
Net financial income/(loss)	14	1,352,225	509,476	400,649
Proceeds from fixed asset disposals		1,191,653	192	294
Provision reversals and expense transfers		915	1,499	32,433
Other		109	1,230	8,861
Non-recurring income		1,192,677	2,921	41,588
Carrying amount of fixed asset disposals		1,240	2,273	2,962
Provisions, depreciation and amortisation		17,604	0	0
Other		968	56	410
Non-recurring expenses		19,812	2,329	3,372
Net non-recurring income/(expense)	15	1,172,864	592	38,216
Net income tax benefit	16	94,558	205,221	51,700
NET INCOME		2,603,738	702,982	475,753

The notes form an integral part of these company financial statements.

> 3. Notes to the financial statements

(All amounts in thousands of euros unless otherwise indicated)

Significant events of the financial year

During the financial year, Schneider Electric SA carried out EUR215 million in share capital increases, as follows:

- the employee share issue carried out on July 12, 2011 as part of the worldwide Employee Stock Purchase Plan, for EUR177 million;
- the exercise of stock options, for EUR38 million.

The Company carried out several bond issues during the financial year for a nominal aggregate of EUR1.7 billion, for financing of acquisitions on September 1, 2011 and redeemed EUR500 million worth of bonds issued in 2006 upon maturity on July 18, 2011.

Furthermore, on July 21, 2010 the Company carried out a partial redemption of the EUR750 million bond issue maturing on July 16, 2013 for a nominal amount of EUR263 million on the basis of a purchase price of EUR299 million. This deal gave rise to the recognition of EUR36 million in financial expenses.

Following the merge of Digital Holding and Schneider Electric Japan Holding of December 2010 signed on March 2011 with effective date on January 1, 2011, the company now owns shares of Schneider Electric Japan Holding for EUR21 million.

Moreover, the Company sold, on December 29, 2011, its shares in Société Industrielle de Réassurance that she owned since September 11, 2009 for EUR3 million versus a net book value of EUR1 million.

On December 30, 2011, the company invoiced to Schneider Electric Industries SAS a financial compensation for the use of Schneider Electric trademark, according to an agreement signed on December 15, 2011 for EUR1.2 billion.

Lastly, the Company issued commercial paper in 2011, and the outstanding balance of EUR190 million at December 31, 2011 were redeemed in January 2012.

Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2011 have been prepared in accordance with French generally accepted accounting principles.

Non-current assets

Non-current assets of all types are stated at cost.

Intangible assets

Intangible rights are amortised over a maximum of five 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 three to ten 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 previous month is used. Unrealised gains resulting from such estimates are not recognised.

Own shares

Treasury stock is stated at weighted average cost.

In the case of treasury stock held for allocation on the exercise of stock options, a provision is recorded if the exercise price is lower than the carrying value of the related treasury shares or if the average stock price for the month previous to the closing is lower than the weighted average cost.

Pension obligations

The present value of termination benefits is determined using the projected unit credit method.

Provisions are funded for the supplementary pension benefits provided by the Company on the basis of the contractual terms of top-hat agreements.

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 amortised over 10 years.

Currency risk

Where necessary, a contingency provision is in place for unrealised exchange losses. However, where there are unrealised 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 amortised over the life of the bonds.

Note 1 Non-current assets**1.1 – Intangible assets**

This item primarily consists of share issue and merger expenses, which are fully amortised.

1.2 – Tangible assets

Tangible assets	Dec. 31, 2010	Additions	Disposals	Dec. 31, 2011
Cost	4,480	-	(10)	4,470
Depreciation	(290)	-	-	(290)
NET	4,190	-	(10)	4,180

Note 2 Investments**2.1 – Shares in subsidiaries and affiliates**

Shares in subsidiaries and affiliates	Dec. 31, 2010	Additions	Disposals	Dec. 31, 2011
Cost	4,608,104	21,556	(22,448)	4,607,212
Provisions	(17,896)	-	-	(17,896)
NET	4,590,208	21,556	(22,448)	4,589,316

The main changes over the financial year are mainly related to the transfer of Digital Holding shares towards Schneider Electric Japan Holding for EUR21 million and to acquisition of Cofibel shares and Cofimines shares.

On December 29, 2011, the Company carried out the disposal of investments *Industrielle de Réassurance* for EUR1 million.

The main investments at December 31, 2011 were as follows:

Shares in subsidiaries and affiliates	Carrying value
Schneider Electric Industries SAS	4,344,481
Cofibel	137,210
Cofimines	82,655
Schneider Electric Japan Holding	21,249
Other (less than EUR20 million)	3,721
TOTAL	4,589,316

2.2 – Other investment securities

Other investment securities	Dec. 31, 2010	Increases	Decreases	Dec. 31, 2011
Schneider Electric SA shares	48,778	-	-	48,778
Other	111,303	-	-	111,303
Provisions for other shares	(77)	-	-	(77)
NET	160,004	-	-	160,004

Other investment securities primarily include Schneider Electric SA shares acquired for allocation on the exercise of certain stock options. Schneider Electric SA has not reclassified own shares allocated to this line item as of December 31, 2004. However, since then, all purchases made for allocation to stock option plans have been classified as marketable securities.

On September 2, 2011, the nominal value of the shares was divided by two. As a consequence, the number of own shares recognised

under “Other investment securities” is 1,994,154 versus 997,077 shares at December 31, 2010, representing a gross value of EUR49 million.

“Other” shares primarily consist of EUR111 million of AXA shares. The other investments included in this item have been fully written down.

2.3 – Advances to subsidiaries and affiliates

Advances to subsidiaries and affiliates	Dec. 31, 2010	Increases	Decreases	Dec. 31, 2011
Cost	3,140,038	548,584	(81,915)	3,606,707
Provisions	(61)	-	-	(61)
NET	3,139,977	548,584	(81,915)	3,606,646

At December 31, 2011, this item mainly consisted of two loans totaling EUR3 billion granted to Schneider Electric Industries SAS, repayable in 2011 and 2015, of three loans granted to Boissière Finance for a total amount of EUR456 million with maturity date 2016 and of accrued interest of EUR50 million.

Note 3 Other receivables

Other receivables	Dec. 31, 2011	Dec. 31, 2010
Cost	180,085	230,307
Provisions	(45,256)	(45,260)
NET	134,829	185,047

“Other receivables” primarily consist of the EUR280 million in group tax relief, net of EUR210 million in advances to subsidiaries, representing a net amount of EUR70 million.

As of December 31, 2011, line item still included EUR45 million in disputed receivables, all fully written down.



Note 4 Marketable securities

	Dec. 31, 2010		Aquisitions	Disposals	Dec. 31, 2010	
	Number of shares*	Value	Value	Value	Value	Number of shares
Stock options plan 26	1,460,906	43,300	-	(17,604)	25,696	866,970
Stock options plan 27	1,892,054	54,128	-	-	54,128	1,892,054
Stock options plan 28	2,000,000	57,348	-	-	57,348	2,000,000
Stock options plan 29	62,666	1,797	-	-	1,797	62,666
Stock options plan 30	1,755,172	60,711	-	-	60,711	1,755,172
Stock grants plan 5	-	-	8,141	-	8,141	274,680
Stock grants plan 8	-	-	9,463	-	9,463	319,256
Total Gross	7,170,798	217,284	17,604	(17,604)	217,284	7,170,798
Provisions		-	(17,604)	-	(17,604)	
TOTAL NET		217,284	-	(17,604)	199,680	

* Taking into account the two-for-one share split effective on September 2, 2011.

Marketable securities primarily represent own shares held by the Company for allocation to stock option plans. The shares of stock grants plans n°5 and 8 are registered as direct shareholders and blocked during two years.

At December 31, 2011, a EUR17 million provision was registered over the 593,936 own shares allocated to plans n°5 and 8 by Management Board decision on December 6, 2011; these shares were allocated to plan n°26 in 2010.

Note 5 Advances to the Group cash pool

This item consists of interest-bearing advances by Schneider Electric SA to the Group cash pool (Boissière Finance) that are recoverable on demand.

Note 6 Accruals and other assets**6.1 – Prepaid expenses**

This EUR1 million line item consists of the expenses incurred in arranging a rate swap in connection with the EUR600 million bond issue of October 8, 2007.

6.2 – Bond issue expenses

Bond issue expenses	Dec. 31, 2010	Increases	Decreases	Dec. 31, 2011
Aug. 11, 2005 due 2017 (€600 million)	878	-	(118)	760
July 17, 2006 due 2011 (€500 million)	22	-	(22)	-
July 17, 2006 due Jan. 2014 (€500 million)	78	-	(23)	55
Oct. 8, 2007 due 2015 (€600 million)	860	-	(214)	646
Feb. 16, 2007 due 2014 (€4,500 million) (bridge loan)	2,116	-	(526)	1,590
May 21, 2008 due 2013 (€18 million)	31	-	(13)	18
May 21, 2008 due 2013 (€183 million)	318	-	(131)	187
May 21, 2008 due 2015 (€55 million)	126	-	(28)	98
May 21, 2008 due 2015 (€129 million)	295	-	(64)	231
June 11, 2008 due 2013 (€12 million)	21	-	(7)	14
July 25, 2008 due 2016 (€177 million)	115	-	(20)	95
Mar. 20, 2009 due 2018 (€250 million)	93	-	(12)	81
Apr. 30, 2009 due 2014 (€150 million)	164	-	(38)	126
Jan. 16, 2009 due 2013 (€750 million)	1,163	-	(469)	694
July 20, 2010 due 2016 (€300 million)	753	-	(126)	627
July 20, 2010 due 2016 (€200 million)	485	10	(84)	411
July 20, 2010 due 2020 (€500 million)	1,426	-	(112)	1,314
July 1, 2011 due 2014 (\$300 million)	-	276	(46)	230
July 12, 2011 due 2018 (€750 million)	-	2,702	(181)	2,521
Sep. 22, 2011 due 2019 (€500 million)	-	1,665	(89)	1,576
Nov. 18, 2011 due 2016 (JPY12 billion)	-	302	(7)	295
Dec. 8, 2011 due 2016 (JPY10 billion)	-	250	(3)	247
	8,943	5,205	(2,334)	11,815

6.3 – Redemption premiums

Redemption premiums	Dec. 31, 2010	Increases	Decreases	Dec. 31, 2011
Aug. 11, 2005 due 2017 (€600 million)	2,841	-	(382)	2,459
July 17, 2006 due 2011 (€500 million)	109	-	(109)	-
July 17, 2006 due Jan. 2014 (€500 million)	1,443	-	(431)	1,012
Oct. 8, 2007 due 2015 (€600 million)	283	-	(70)	213
Apr. 11, 2008 due 2018 (€55 million)	5,584	-	(713)	4,871
Apr. 11, 2008 due 2018 (€125 million)	13,039	-	(1,661)	11,378
Mar. 20, 2009 due 2018 (€250 million)	27,041	-	(3,434)	23,607
Apr. 30, 2009 due 2014 (€150 million)	(3,060)	-	708	(2,352)
Jan. 16, 2009 due 2013 (€750 million)	131	-	(53)	78
July 20, 2010 due 2016 (€300 million)	1,892	-	(317)	1,575
July 20, 2010 due 2016 (€200 million)	(3,560)	-	602	(2,958)
July 20, 2010 due 2020 (€500 million)	4,254	-	(335)	3,919
July 1, 2011 due 2014 (\$300 million)	-	372	(63)	309
July 12, 2011 due 2018 (€750 million)	-	4,845	(325)	4,520
Sep. 22, 2011 due 2019 (€500 million)	-	3,865	(207)	6,658
	49,995	9,082	(6,790)	52,287

The increases in this line item were due to the 2011 bond issues (see note 9).



Note 7 Shareholders' equity and retained earnings

<i>(in millions of euros)</i>	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Untaxed provisions	Total
December 31, 2009 before allocation of net income for the year	2,102	5,831	521	476	1	8,931
Change in share capital	39	265				304
Allocation of 2009 net income			12	(12)		0
2009 dividend	35	296	(66)	(464)		(199)
Other changes during the period					(1)	(1)
2010 net income				703		703
December 31, 2010 before allocation of net income for the year	2,175	6,393	467	703	-	9,738
Change in share capital	20	195				215
Allocation of 2010 net income			7	(7)		0
2010 dividend			(160)	(696)		(856)
Other changes during the period						-
2011 net income				2,604		2,604
DECEMBER 31, 2011 BEFORE ALLOCATION OF NET INCOME FOR THE YEAR	2,195	6,588	314	2,604	-	11,701

7.1 – Capital**Share capital**

The Company's share capital at December 31, 2011 amounted to EUR2,195,772,096, consisting of 548,943,024 shares with a par value of EUR4, all fully paid up.

Changes in share capital

During the financial year, 3,855,632 shares were issued as part of the worldwide Employee Stock Purchase Plan amounting to the EUR15 million in share capital while 1,169,210 new shares were issued on the exercise of stock options, increasing the share capital by EUR5 million.

Own shares

The total number of own shares held at the reporting date stood at 9,164,952, representing a net amount of EUR248 million.

7.2 – Additional paid-in capital

Additional paid-in capital rose by EUR195 million over the financial year, including EUR162 million from the worldwide Employee Stock Purchase Plan and EUR33 million from the exercise of stock options.

7.3 – Retained earnings

Pursuant to the third resolution of the Annual and Extraordinary Shareholders' Meeting of April 21, 2011, EUR7 million of the EUR703 million in 2010 distributable earnings was allocated to the legal reserve. EUR856 million was paid out in dividends (including EUR160 million deducted from retained earnings).

Note 8 Provisions for contingencies and pension accruals

	Dec. 31, 2010	Increases	Decreases	Dec. 31, 2011
Provisions for contingencies				
Disputes	15	-	-	15
Other	30	-	-	30
	45	-	-	45
Provisions for pension accruals				
Pension accruals	31,704	2,000	(1,983)	31,721
	31,749	2,000	(1,983)	31,766

8.1 – Contingencies

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. This is particularly true of the provisions set aside to cover the potential consequences of a pending dispute in Belgium involving former senior executives and managers of the Company.

8.2 – Pension accruals

The Company has various obligations towards its current and retired senior executives and managers. Following an actuarial valuation carried out in 2011, the provision for these obligations was estimated to EUR32 million.

The Company applied the corridor method to the actuarial gains and losses arising from this valuation (see "accounting principles"). At December 31, 2011, cumulative actuarial gains and losses totalled EUR7 million. From 2012, a total of EUR2.5 million, exceeding 10% of the obligation, is being amortised over 10 years.

Note 9 Bonds

	Share capital		Interest rate	Maturity
	Dec. 31, 2011	Dec. 31, 2010		
Schneider Electric SA 2017	600,000	600,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2011	-	500,000	Euribor +0.20% Floating	July 18, 2011
Schneider Electric SA 2014	500,000	500,000	4.50% Fixed	Jan. 17, 2014
Schneider Electric SA 2015	600,000	600,000	5.375% Fixed	Jan. 08, 2015
Schneider Electric SA 2017	125,000	125,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2017	55,000	55,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2016	177,565	177,565	Euribor +0.60% Floating	July 25, 2016
Schneider Electric SA 2013	100,000	100,000	CMS +1% Floating	July 31, 2013
Schneider Electric SA 2013	487,000	487,000	6.75% Fixed	July 16, 2013
Schneider Electric SA 2015	150,000	150,000	5.375% Fixed	Jan. 08, 2015
Schneider Electric SA 2017	250,000	250,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2016	300,000	300,000	2.875% Fixed	July 20, 2016
Schneider Electric SA 2016	200,000	200,000	2.875% Fixed	July 20, 2016
Schneider Electric SA 2020	500,000	500,000	3.625% Fixed	July 20, 2020
Schneider Electric SA 2014	231,857		Libor + 0.49% Floating	July 1, 2014
Schneider Electric SA 2018	750,000		3.75% Fixed	July 12, 2018
Schneider Electric SA 2019	500,000		3.50% Fixed	Jan. 22, 2019
Schneider Electric SA 2016	124,750		0.849% Fixed	Nov. 18, 2016
Schneider Electric SA 2016	99,800		0.84625% Fixed	Dec. 8, 2016
	5.750,973	4,544,565		

Fixed: fixed rate.

Floating: floating rate.

Schneider Electric SA has made a series of bond issues as part of its Euro Medium Term Notes ("EMTN") program over the past few years. The issues that had not matured as of December 31, 2011 were as follows:

- JPY12 and JPY10 billion for a total amount of EUR225 million worth of respectively 0.849% and 0.84625% bonds issued in November and December 2011 and maturing on November 18, 2016 and December 8, 2016;
- EUR500 million worth of 3.50% bonds issued in September 2011 and maturing on January 22, 2019;
- EUR750 million worth of 3.75% bonds issued in July 2011 and maturing on July 12, 2018;
- USD300 million for a total amount of EUR232 million worth of bonds issued in July 2011 at a floating rate and maturing on July 1, 2014;
- EUR300 and EUR200 million worth of 2.875% bonds successively issued in July and October 2010 and maturing on July 20, 2016;
- EUR500 million worth of 3.625% bonds issued in July 2010 and maturing on July 20, 2020;
- EUR150 million worth of bonds issued in May 2009 to top up the EUR600 million tranche at 5.375% maturing on January 8, 2015 and issued in October 2007, thereby raising the total issue to EUR750 million;
- EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million 12 year tranche at 4% issued in August 2005, thereby raising the total issue to EUR1.03 billion;

- EUR750 million worth of 6.75% bonds issued in January 2009 and maturing on July 16, 2013. In July 2010, this bond was partly redeemed to the amount of EUR263 million, reducing the bond to EUR487 million;
- EUR100 million worth of bonds issued in July 2008 at a floating rate indexed to the 10 year CMS (Constant Maturity Swap) and maturing on July 31, 2013;
- EUR177 million worth of floating-rate bonds issued in July 2008 and maturing on July 25, 2016;
- EUR180 million worth of bonds issued in April 2008 to top up the EUR600 million 12 year tranche at 4% issued in August 2005, thereby raising the total tranche to EUR780 million;
- EUR600 million worth of 5.375% bonds issued in October 2007 and maturing on January 8, 2015;
- EUR1 billion worth of bonds issued in July 2006, comprising a EUR500 million five-year floating rate tranche and a EUR500 million 7 1/2-year 4.5% tranche;
- EUR600 million worth of 4% bonds issued in August 2005 and maturing in August 2017;

These bonds are traded on the Luxembourg stock market. The issue premiums and issue costs are amortised in line with the effective interest method.

Lastly, the Group redeemed EUR500 million worth of July 2006 bonds at maturity date on July 18, 2011.

Note 10 Other borrowings

Other borrowings at December 31, 2011 included accrued interest on bonds and other debt issued by the Company. Following the issue of EUR1.7 billion worth of bonds in 2011, accrued interest amounted to EUR131 million, compared to EUR113 million at end of 2010.

Finally, this line item includes a EUR397 million "Schuldschein" loan granted by international banks in first-half 2008, comprising four tranches: a EUR129 million seven-year floating-rate tranche, a EUR55 million seven-year fixed-rate tranche, a EUR195 million five-year floating-rate tranche and a EUR18 million five-year fixed-rate tranche.

Note 11 Interest-bearing liabilities

Interest-bearing liabilities	Dec. 31, 2010	Increase	Decrease	Dec. 31, 2011
Commercial paper	-	3,101,000	(2,911,000)	190,000
Overdrafts	1	61	-	62
Other	2	-	-	2
NET	3	3,101,061	(2,911,000)	190,064

At December 31, 2011, Interest-bearing liabilities are mainly composed of a EUR190 million of commercial paper to be redeemed in January 2012.

Note 12 Maturities of receivables and payables

	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Non-current assets				
Advances to subsidiaries and affiliates	3,606,707	50,236	3,556,471	
Other investment				
Current assets				
Accounts receivable - trade	101	101		
Other receivables	180,085	112,385	67,700	
Marketable securities	217,284		154,777	62,507
Prepaid expenses	1,621	764	857	
Debt				
Bonds	5,750,973		2,068,857	3,682,116
Bank loans	397,000		397,000	
Other borrowings	130,889	130,889		
Amounts payable to subsidiaries and affiliates	13		13	
Interest-bearing liabilities	190,064	190,061	3	
Accounts payable - trade	276	276		
Accrued taxes and payroll costs	394,073	394,073		
Other	9,834	9,834		
Deferred income	141	141		

Note 13 Related-party transactions (minimum 10% interest)

	Gross	Net
Shares in subsidiaries and affiliates	4,604,529	4,586,633
Advances to subsidiaries and affiliates	3,606,579	3,606,518
Accounts receivable	969	742
Cash and cash equivalents	9,845,777	9,845,777
Interest-bearing liabilities	-	-
Accounts payable	-	-
Revenues:		
• dividends		1,428,936
• interests		93,832



Note 14 Net financial income

	Dec. 31, 2011	Dec. 31, 2010
Dividends	1,436,419	691,233
Net interest income (expense)	(80,404)	(177,272)
Other	(3,789)	(4,484)
NET FINANCIAL INCOME	1,352,225	509,477

The main 2011 dividends received by Schneider Electric SA were paid by its subsidiaries Schneider Electric Industries SAS (EUR1,300 million), Cofibel (EUR79 million) and Cofimines (EUR50 million).

The Schneider Electric Industries SAS subsidiary paid a dividend of EUR672 million in 2010.

Note 15 Net non-recurring income/(expense)

	Dec. 31, 2011	Dec. 31, 2010
Net gains/(losses) on fixed asset disposals	1,190,413	(2,081)
Provisions net of reversals	(16,889)	1,499
Other non-recurring income/(expense)	(859)	1,173
NET NON-RECURRING INCOME/(EXPENSE)	1,172,864	592

The EUR1.2 billion net gain on fixed assets disposals is mainly related to the sale of Schneider Electric trademark to Schneider Electric Industries SAS.

In December 2011, the Company registered a EUR17 million provision related to the allocation of own shares to stock grants plan n°5 and 8.

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 SA, net of 2011 income tax due by EUR159 million. Group relief totalled EUR280 million in 2011, up on the EUR73 million the prior financial year.

Schneider Electric SA is the parent company of the tax group comprising all French subsidiaries that are over 95%-owned. Tax loss carryforwards available to the Company in this capacity totalled EUR704 million at December 31, 2011.

Note 17 Off-balance sheet commitments

17.1 – Partnership obligations

The share of liabilities of “SC” non-trading companies attributable to Schneider Electric SA as partner is not material.

The share of liabilities of “SNC” flow-through entities attributable to Schneider Electric SA as partner is not material.

17.2 – Guarantees given and received

Commitments given:

Counter-guarantees of bank guarantees: None

Other guarantees given: EUR504 million

Commitments received:

Bank counter-guarantees: None

17.3 – 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 SA. Nevertheless, Schneider Electric SA has arranged fixed-rate/floating-rate interest rate swaps to hedge certain bond issues, the market value of which is as follows:

Underlying			Hedging instrument (in thousands of euros)	
Type	Face value	Maturity	Impact on net financial income	Market value
Bond issue	USD300,000,000	July 1, 2014	(745)	(1,466)
Schuldschein	EUR195,000,000	May 21, 2013	(6,552)	(9,765)
Schuldschein	EUR129,000,000	May 21, 2015	(4,277)	(14,646)
Private placement (CMS)	EUR100,000,000	July 31, 2013	(3,584)	(6,143)
Private placement (CMS)	EUR100,000,000	July 31, 2013	2,728	4,770
Bond issue 2013	EUR475,000,000	July 16, 2013	7,466	14,320
TOTAL			(4,964)	(12,930)

Note 18 Other information

18.1 – Workforce

At December 31, 2011, the Company had two employees.

18.2 – Consolidated financial statements

Schneider Electric SA is the parent company of the Group and accordingly publishes the consolidated financial statements of the Schneider Electric Group.



> 4. Statutory Auditors' report on the financial statements

This is a free translation into English of the Statutory Auditors' report on the Financial Statements issued in French and it is provided solely for the convenience of English speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2011 on:

- the audit of the accompanying financial statements of Schneider Electric SA;

- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the Financial Statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as

the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2011 and of the results of its operations for the year then ended in accordance with French generally accepted accounting principles.

II – Justification of assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

As part of our assessment of the accounting principles and methods used by your company, we verified the appropriateness of the principles and methods used to value shares in subsidiaries and affiliates, described in the section on accounting principles and

in note 2 to the financial statements, and obtained assurance that they were correctly applied.

Our assessments were made in the context of the performance of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III – Specific verifications and information

We have also performed the specific verifications required by law, in accordance with professional standards applied in France.

We have no matters to report regarding the fair presentation and conformity with the financial statements of the information given in the Management Board's report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Regarding the information provided in accordance with the requirements of article L.225-102-1 of French Commercial Code relating to the compensation and benefits paid to the Corporate officers concerned and the engagement granted to them, we verified the conformity with the financial statements, or with the data used for the preparation of the financial statements; and, when applicable, with the information collected by the Company from the

companies which control your Company or are controlled by your Company. On the basis of the audit we performed, we attest that this information is true and fair.

In accordance with French Law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders has been properly disclosed in the Management Board's report.

Paris-La Défense and Courbevoie, February 21, 2012,

The Statutory Auditors

French original signed by

Ernst & Young et Autres
Yvon SALAÜN

Mazars
David CHAUDAT

> 5. List of securities held at December 31, 2011

Number amount

(in thousands of euros)

A. Major investments

(Carrying amounts over EUR15 thousand)

	Company	Carrying of securities
56,019,611	Schneider Electric Industries SAS	4,344,481
10,612,659	AXA	111,172
44,271	SELF	2,683
1,300	Vigéo SAS	53
1,994,154	Schneider Electric SA own shares	48,778
		4,507,167

B. Other investments

(Carrying amounts under EUR15 thousand)

1,038

C. Investments in real estate companies

-

D. Investments in foreign companies

241,114

TOTAL

4,749,319

Marketable securities

7,170,798	Schneider Electric SA own shares	199,681
	(stock option plans 26, 27, 28, 29 and 30 and Stocks grants plan n°5 and 8)	

TOTAL

199,681



> 6. Subsidiaries and affiliates

Company <i>(in thousands of euros)</i>	Capital	Reserves and retained earnings & retained earnings prior to appropriation of earnings*	Share interest held (%)
Detailed information on subsidiaries and affiliates with a carrying amount of over 1% of the share capital of Schneider Electric SA			
A. Subsidiaries (at least 50% owned)			
Schneider Electric Industries SAS 35, rue Joseph Monier – 92500 Rueil-Malmaison, France	896,313	4,745,624	100.00
Cofibel 18/20, avenue Winston Churchill - 1180 Brussels, Belgium	55,362	7,642	99.79
Cofimines 18/20, avenue Winston Churchill - 1180 Brussels, Belgium	41,522	32,793	99.84
B. Affiliates (10 to 50%-owned)			
Schneider Electric Japan Holdings Ltd 8-2-52 Nanko-Higashi - 559 0031 Suminoe Osaka, Japan	26,038	37,560	4.81
II. Other subsidiaries and affiliates			
A. Subsidiaries not included in Section I: (+50%)			
a) French subsidiaries (aggregate)			
b) Foreign subsidiaries (aggregate)			
B. Affiliates not included in Section I: (0-50%)			
a) French companies (aggregate)			
b) Foreign companies (aggregate)			

* Including income or loss in prior financial year.

Book value of securities held		Loans and advances provided by the Company and still outstanding	Amount of guarantees given by the Company	Sales (ex. VAT) in the past financial year	Profit or loss (-) in the past financial year	Dividends received by the Company during the financial year	Comments
Gross	Net						
4,344,481	4,344,481	3,148,324	-	3,631,827	992,332	1,299,655	
137,210	137,210	-	-	Holding company	2,081	78,681	
82,655	82,655	-	-	Holding company	16,170	50,001	
21,249	21,249	-	-	-	(6,186)	-	
18,934	1,038	-	-	-	-	600	
-	-	-	-	-	-	-	
113,985	113,909	-	-	-	-	7,483	
-	-	-	-	-	-	-	



> 7. The Company's financial results over the last five years

Description	2011	2010	2009	2008	2007
Financial position at December 31					
Share capital <i>(in thousands of euros)</i>	2,195,772	2,175,672	2,102,016	1,979,405	1,962,395
Number of shares in issue	548,943,024	271,959,091	262,752,025	247,425,629	245,299,366
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	15,556	7,478	9,860	9,183	9,382
Results of operations <i>(in thousands of euros)</i>					
Sales (ex. VAT)	215	2,225	2,419	1,906	946
Investment revenue, interest income and other revenue	1,652,422	833,865	723,928	1,623,715	747,914
Earnings before tax, depreciation, amortization and provisions	1,345,453	506,204	393,238	1,087,409	136,259
Income tax	168,347	9,922	13,244	10,883	11,099
Earnings after tax, depreciation, amortization and provisions	2,603,738	702,982	475,753	1,147,592	226,643
Dividends paid ⁽¹⁾ excluding tax credit and withholdings	933,203 ⁽²⁾	870,269	538,642	853,618	809,488
Results of operations per share <i>(in euros)</i>					
Earnings before depreciation, amortisation and provisions	4.79	2.62	1.71	4.72	0.51
Earnings after tax, depreciation, amortization and provisions	4.74	2.58	1.81	4.64	0.92
Net dividend per share	1.70 ⁽²⁾	3.20	2.05	3.45	3.30
Employees					
Average number of employees during the financial year	2	2	2	1	2
Total payroll for the financial year <i>(in thousands of euros)</i>	4,549	4,262	3,859	4,376	4,291
Total of employee benefits paid over the financial year <i>(Social security, other benefits, etc.)</i> <i>(in thousands of euros)</i>	1,170	3,936	2,004	1,374	2,606

(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 May 3, 2012.



General presentation of Schneider Electric SA

1. General information on the Company	240
2. Shareholders' rights and obligations	241
3. Capital	243
4. Ownership structure	247
5. Employee profit-sharing, stock ownership	248
6. Performance share grants and stock option plans	249
7. Disclosure of information required in accordance with article L.225-100-3 of the French Commercial Code**	255
8. Stock market data	255
9. Investor relations	257



This report includes the Chairman's report on the conditions applicable for the preparation and organisation of the work carried out by the Supervisory Board and the internal control and risk management procedures implemented within the Company.

Sections 2 (General Meetings and Voting rights) and 7 below, as well as the paragraph entitled "A Management Board/ Supervisory Board system", Sections 1, 2, 3, 4, 8 (Management Board and Executive Committee compensation policy and Pension benefits), 10 and 11 of Chapter 3 constitute the Supervisory Board Chairman's report prepared in accordance with article L.225 -68 of the French Commercial Code. They are indicated with**.

> 1. General information on the Company

Schneider Electric SA is a French corporation (*Société Anonyme*) with a Management and Supervisory Board (since May 3, 2006) governed by the French Commercial Code, with a share capital of EUR2,195,772,096, whose registered head office is located at 35, rue Joseph Monier – 92500 Rueil-Malmaison, France (phone number: +33 (0)1 41 29 70 00).

The Company is registered in Nanterre under No. 542 048 574, business identifier code (APE) 7010Z.

Schneider Electric SA was founded in 1871 and its term is up to 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.

As stated in article 2 of its articles of association, the Company has the following objectives, directly or indirectly, engaged in any form, in France and elsewhere:

- (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 the pursuance, whether by creating, acquiring or otherwise, of all activities related to:
 - electrical equipment manufacturing, electrical distribution and secure power supply;
 - building control, automation and safety;
 - industrial control and automation, including software;

- management of all types of data centres, networks, equipment and other infrastructure;
- (ii) the acquisition, purchase, sale and use of any intellectual 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, real estate and other operations related directly or indirectly in any way to the above objective.

The Company may perform any operations that fall within the scope of its objectives either alone for its own benefit 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 objective, or such as to encourage its extension or development.

The articles of association, minutes of General Meetings, Auditors' reports and other legal documents concerning the Company are available for consultation at the Company's head office (Management Board secretariat) located at 35 rue Joseph Monier - 92500 Rueil-Malmaison, France.

The articles of association, regulated information, Registration Documents, sustainable development reports, calls to meeting and other documents are also available on the corporate website (<http://www.schneider-electric.com>).

2. Shareholders' rights and obligations

Annual Shareholders' Meetings (article 23 of the articles of association)**

The procedures for calling and holding General Meetings are governed by French law.

The meetings are held at the head office or any other address provided in the call to meeting. When the decision is made to call a General Meeting, the Management Board may decide to make all or part of the meeting available for public viewing via video conferencing or remote transmission.

All shareholders may attend personally or be represented at General Meetings after providing proof of their identity and share ownership in accordance with the applicable law and regulations.

When the decision is made to call a General Meeting, the Management Board may also decide to allow shareholders to participate or vote using videoconferencing facilities and/or any other telecommunication medium allowed under the applicable legislation.

Remote voting procedures are governed by the applicable laws and regulations. In particular, shareholders may send proxy and postal voting forms before General Meetings either on paper or, if approved by the Management Board and stated in the Meeting announcement and/or notice, electronically.

When the decision is made to call a General Meeting, the Management Board may authorise shareholders to fill out and sign these forms electronically through a secure site set up by

the General Meeting organiser using a process that complies with article 1316-4, paragraph 2, line 1 of the French Civil Code, for example by entering an ID and a password.

Proxies or votes submitted electronically before the General Meeting, as well as the related acknowledgements of receipt, will be considered irrevocable and binding documents. However, in the event that shares are sold before the applicable record date (*i.e.* midnight CET three days before the Meeting date), the Company will cancel or amend, as appropriate, any related proxies or votes submitted electronically before the General Meeting.

The Chairman of the Supervisory Board chairs the General Meetings. In his absence, he is replaced by the Vice Chairman or by another member of the Supervisory Board specifically designated for this purpose by the Supervisory Board. In the event that no Chairman has been selected, the General Meeting elects its Chairman.

The two shareholders with the largest number of voting rights present at the meeting or accepting the mission serve as scrutineers.

The meeting committee selects the secretary, who may or may not be a shareholder.

An attendance sheet is filled out in accordance with French law.

Copies or extracts of the Meeting's minutes are certified either by the Chairman or Vice Chairman of the Supervisory Board, a member of the Management Board or the General Meeting secretary.

Voting rights**

1 – Double voting rights (article 24 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 par value. Each share carries one voting right, unless there are any unavoidable legal restrictions on the number of voting rights that may be held by any single shareholder. Notwithstanding the foregoing, double voting rights are attributed to fully paid-up shares registered in the name of the same holder for at least two years prior to the end of the calendar year preceding the one in which the General Meeting takes place, subject to compliance with the provisions of the law. In the case of a bonus share issue paid up by capitalising reserves, earnings or additional paid-in capital, 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 to another person, except in the case of an inheritance or family gift, with the transfer from one registered holder to another.

Double voting rights may also be stripped by a decision of the Extraordinary Shareholders' Meeting, ratified by a special meeting of shareholders benefiting from double voting rights.

The minimum holding period to qualify for double voting rights was reduced from four to two years by decision of the combined Annual and Extraordinary Shareholders' Meeting of June 27, 1995.





2 – Ceiling on voting rights (article 24 of the articles of association)

At the Annual Meeting, no shareholder may exercise more than 10% of the total voting rights attached to the Company's shares. The 10% ceiling is calculated on the basis of the single voting rights held directly and proxies held by the shareholder concerned. If the shareholder holds or represents shares carrying double voting rights, the limit may be raised to 15%, provided that the 10% ceiling is exceeded solely by virtue of the double voting rights.

To apply these provisions:

- the total number of voting rights is calculated on the date of the Meeting and announced to shareholders when the Meeting is called to order;
- the number of voting rights held directly and indirectly include those attached to shares owned by a shareholder personally, those attached to shares held by a legal entity over which the shareholder exercises control, as defined in article L.233-3 of the French Commercial Code, and those attached to shares assimilated to shares owned, as defined by article L.233-7 *et seq.* of the French Commercial Code;

- 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 at a further Annual and Extraordinary 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. In this case, the Management Board will place on record the lifting of the above ceilings and will amend the articles of association accordingly. The ceiling on voting rights was approved by the combined Annual and Extraordinary Shareholders' Meeting of June 27, 1995.

In accordance with article L.225-96, paragraph 1 of the French Commercial Code, any amendment to the articles of association must be approved by shareholders in Extraordinary Meeting, by a majority of at least two-thirds of the voting rights represented by shareholders in attendance or participating by proxy.

Income appropriation (article 26 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 a dividend.

The Annual Meeting may decide to offer shareholders the opportunity to receive the dividend in cash or in the form of new shares of common stock.

Dividends not claimed within five years from the date of payment become time-barred and are paid over to the State in accordance with the law.

Types 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.

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 five 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 Company's capital, subject to compliance with the relevant provisions of the law. These

disclosure thresholds were approved by the combined Annual and Extraordinary Shareholders' Meetings of June 27, 1995, May 5, 2000 and April 23, 2009.

Identifiable holders of bearer shares (article 7 paragraph 3 of the articles of association)

As approved by the combined Annual and Extraordinary Shareholders' Meetings of June 30, 1988 and May 5, 2000, the Company may at any time request that Euroclear identify holders of bearer shares carrying voting rights either immediately or in the future.

Sale of shares (article 8 of the articles of association)

The Company's shares are transferable and negotiable.

3. Capital

Share capital and voting rights

The Company's share capital at December 31, 2011 amounted to EUR2,195,772,096, represented by 548,943,024 shares with a par value of EUR4, all fully paid up. At December 31, 2011, 584,722,100 voting rights were attached to the 548,943,024 outstanding shares.

Potential capital

At December 31, 2011, stock options granted under:

- stock option plans 23 to 29 represented 6,129,752 shares;
- 3,729,896 shares for share subscription or purchase plans, plans 30 to 33; the type of options (share subscription or purchase options) will be determined at a later date by the Management Board;
- 5,006,689 shares under the performance shares or stock grant plans relating to existing shares or shares to be issued, plans 6 and 7 and 9 to 14; the origin of these shares (existing shares or shares to be issued) will be determined later by the Management Board;

- in addition, as part of employee share issues, the Company has issued 99,148 share subscription warrants;

Together, these plans represent a total of 14,965,485 shares.

The potential maximum dilution in case of issue of all the shares as a result of the exercise of options to subscribe, stock grants, performance shares and warrants would be 2.73% of share capital at December 31, 2011.





Authorisations to issue shares

The following authorisations were given to the Management Board at the combined Annual and Extraordinary Shareholders' Meetings of April 21, 2011:

- 1) to increase the Company's capital by capitalising reserves, earnings or additional paid-in-capital;
- 2) to increase the share capital by a maximum of EUR800 million (200 million shares) by issuing shares or share equivalents:
 - in the case of an issue with pre-emptive subscription rights, the ceiling stands at EUR800 million (200 million shares);
 - in the case of an issue without pre-emptive subscription rights, the ceiling stands at EUR217 million (54.25 million shares) with the possibility of:
 - (i) proceeding to issue by private placements of shares subject to a ceiling of EUR108 million (27 million shares),
 - (ii) by issuing securities tendered to the Company within the framework of a public exchange offer initiated by the Company or, in the limit of 10% of capital, in payment for shares or share equivalents of unlisted companies.

The Management Board is also authorised to increase the number of shares or share equivalents to be issued in case of oversubscription (subject to the overall limits defined above);

- 3) to grant existing or new Schneider Electric SA shares 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 1.3% of the Company's issued capital as of April 21, 2011;
- 4) to grant options to purchase new or existing shares 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 1% of the issued capital as of April 21, 2011;
- 5) to issue new shares to members of the Employee Stock Purchase Plan (ESPP), within a limit of 2% of the issued capital on the date of the implementation of the authorisation;
- 6) to issue new shares under programs to promote stock ownership among employees in non-French companies of the Group, within a limit of 1% of the Company's share capital as of April 21, 2011 to be applied to the ceiling for the authorisation given in 5 above.

At its meeting on December 15, 2011, the Supervisory Board authorised the Management Board to issue new shares to employees during 2012, within a limit of 0.9% of the Company's issued capital. The Management Board intends to use this authorisation in June 2012 to issue new shares to employees under a non-leveraged and leveraged stock ownership plan.

At the Annual Shareholders' Meeting to be held in May 2012 (see pages 270 - 271), the Management Board will ask shareholders to renew the authorisation for the issuance of new shares under programs to promote stock ownership among employees in non-French companies of the Group, that will expire on October 2012.

	Maximum aggregate par value of authorised share issues	Number of shares (in millions)	Authorisation date/ authorisation expires	Amount used at Dec. 31, 2011
I – Issues with pre-emptive subscription rights:				
shares, warrants and other securities, giving access immediately or in the future to the capital	EUR800 million ⁽¹⁾	200	Apr. 21, 2011 Jun. 20, 2013	— ⁽³⁾
II – Issues without pre-emptive subscription rights:				
a) for the issue, in cash or listed securities, of shares, warrants and other securities giving access immediately or in the future to the capital	EUR217 million ⁽¹⁾	54.25	Apr. 21, 2011 Jun. 20, 2013	— ⁽³⁾
b) to make private placements of shares	108 million ^{(1) (2)}	27	Apr. 21, 2011 Jun. 20, 2013	
c) to issue new shares as consideration for the shares of unlisted companies	10% of the Company's capital ^{(1) (2)}	54.4	Apr. 21, 2011 Jun. 20, 2013	—
III – Employee share issues				
Share issues restricted to employees (ESPP)	2% of the Company's capital ⁽⁶⁾	10.8	Apr. 21, 2011 Jun. 20, 2013	— ⁽³⁾
Share issues to promote stock ownership among employees in foreign companies of the Group	1% of the Company's capital ^{(4) (6)}	5.4	Apr. 21, 2011 Oct. 20, 2012	— ⁽³⁾
Stock options	1% of the Company's capital ⁽⁶⁾	5.4	Apr. 21, 2011 Jun. 20, 2014	-
Stock grants or performance-based grants	1.3% of the Company's capital ⁽⁶⁾	7	Apr. 21, 2011 Jun. 20, 2014	0.38% ⁽⁵⁾

(1) The ceilings for issues with and without pre-emptive subscription rights are not cumulative and are capped at EUR800 million in aggregate.

(2) With a EUR217 million ceiling of a).

(3) At its meeting on December 15, 2011, the Supervisory Board authorised the Management Board to issue new shares to employees during 2012, within a limit of 0.9% of the Company's issued capital. The Management Board intends to use this authorisation in June 2012 to issue new shares to employees, part of the ESPP or not, under a non-leveraged and leveraged stock ownership plan. The share capital increase that will be restricted to employees part of the ESPP will be deducted from the ceilings authorised in I and II a).

(4) Issues of shares restricted to employees in non-French subsidiaries will be deducted from the ceiling for employee share issues (ESPP).

(5) The nature of stock grant or performance plans 10bis, 11bis, 12 to 14 (subscription or purchase) will be determined on the effective date of grant at the latest.

(6) On the date of the Annual Shareholder's Meeting the capital is EUR2,177 million.





Three-year summary of changes in capital

The following table shows changes in Schneider Electric SA's share capital and additional paid-in-capital since December 31, 2008 through share issues and the exercise of stock options:

	Number of shares issued or cancelled	Cumulative number of shares	Share capital
Employee share issue	1,999,846*		
Exercise of stock options	126,417*		
Capital at December 31, 2008 ⁽¹⁾		247,425,629*	EUR1,979,405,032
Payment of dividend in shares	11,967,608*		
Employee share issue	2,488,297*		
Exercise of stock options	870,491*		
Capital at December 31, 2009 ⁽²⁾		262,752,025*	EUR2,102,016,200
Payment of dividend in shares	4,345,794*		
Employee share issue	2,151,390*		
Exercise of stock options	2,709,882*		
Capital at December 31, 2010 ⁽³⁾		271,959,091*	EUR2,175,672,728
Employee share issue	3,855,632		
Exercise of stock option and performance shares issued	1,169,210		
CAPITAL AT DECEMBER 31, 2011 ⁽⁴⁾		548,943,024	EUR2,195,772,096

* Not adjusted for the two-for-one share split on September 2, 2011.

(1) Increase in share capital (EUR17.01 million), increase in additional paid-in-capital (EUR123.9 million).

(2) Increase in share capital (EUR122.61 million), increase in additional paid-in-capital (EUR555.38 million).

(3) Increase in share capital (EUR73.6 million), increase in additional paid-in-capital (EUR561.2 million).

(4) Increase in share capital (EUR20.1 million), increase in additional paid-in-capital (EUR194.7 million).

Share buybacks

The Annual Shareholders' Meeting of April 22, 2010 authorised the Company to buy back shares. This authorisation was renewed at the Annual Shareholders' Meeting of April 21, 2011.

Pursuant to these authorisations, the Company did not buy back any share during the year.

Details of the share buyback programme submitted for approval at the Annual Shareholders' Meeting of May 3, 2012 are as follows:

- number of shares and percentage of share capital held directly and indirectly by Schneider Electric SA (as of March 13, 2012):
 - treasury stock: 8,574,460 shares, or 1.56% of the share capital,
 - own shares: 1,058 shares,
 - **total: 8,575,518 shares, or 1.56% of the share capital;**
- overview of purposes for which shares have been held:
 - the 8,574,460 shares held in treasury stock are held for allocation on the exercise of stock options and performance shares;
- buyback plan objectives:
 - reduce the capital by cancelling 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,
 - finance a future acquisition (rather than issue new shares at the time of the acquisition),
 - 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 at February 28, 2012, a total of 54,920,425 Schneider Electric SA shares with a par value of EUR4,
- taking into account treasury stock and own shares at March 13, 2012 (8,574,460 shares), the number of shares that could be bought back under the authorisation comes to 46,345,965 shares, or 8.44% of the issued capital;

- maximum purchase price and maximum aggregate amount of share purchases:

- the maximum purchase price is set at EUR75 per share,
- share purchases may not exceed an aggregate maximum amount of EUR4,117,072,650.

- duration of the buyback programme:

- 18 months maximum, expiring on November 2, 2013;

- transactions carried out pursuant to the program authorised by the Annual Shareholders' Meeting 2010 and renewed by the Annual Shareholders' Meeting 2011 between January 1, 2011 and March 13, 2012:

- transactions carried out by the Company:

- number of shares acquired: 0,
- number of shares transferred since the beginning of the programme: 590,492.

> 4. Ownership structure

Three-years summary of changes in capital

	Dec. 31, 2011				Dec. 31, 2010		Dec. 31, 2009	
	Capital	Number of shares	Voting rights	Number of voting rights	Capital	Voting rights	Capital	Voting rights
	%		%		%	%	%	%
Capital Research and Management Company ⁽¹⁾	9.43	51,780,765	8.86	51,780,765	8.17	7.72	5.07	4.75
CDC	3.71	20,349,002	4.57	26,699,002	4.23	5.10	4.32	5.18
Employees	4.55	25,001,870	7.06	41,268,373	4.11	6.14	4.26	6.33
Own shares ⁽²⁾	0.00	1,058	-	-	0.00	-	0.92	-
Treasury shares	1.67	9,164,952	-	-	1.68	-	1.76	-
Public	80.64	442,645,377	77.95	455,807,950	81.80	79.45	83.67	81.23
TOTAL	100.00	548,943,024	100.00	584,722,100	100.00	100.00	100.00	100.00

(1) To the best of the Company's knowledge.

(2) Number of voting rights as defined in article 223-11 of the AMF general regulations, which includes shares stripped of voting rights.

Disclosure thresholds

To the best of the Company's knowledge, no shareholders other than Capital Research & Management Company, listed above, hold, either directly or indirectly, more than 5% of Schneider Electric's capital or voting rights.

Changes in holdings (for stakes of more than 5%)

Date	Company	Capital (%)	Voting rights (%)
Apr. 27, 2011	BlackRock Inc.	5.00	4.73
Apr. 27, 2011	Commerzbank AG	5.63	5.33
Apr. 28, 2011	Commerzbank AG	3.72	3.51
Aug. 2, 2011	BlackRock Inc.	4.99	4.73
Nov. 4, 2011	CDC	4.12	4.99

Pledges on Schneider Electric shares

6,356 shares are pledged.

Pledges on subsidiaries' shares

Schneider Electric SA has not pledged any shares in significant subsidiaries.





> 5. Employee profit-sharing, stock ownership

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 five years were:

(in millions of euros)	2011	2010	2009	2008	2007
Profit-based incentive plans and profit-sharing plans	59.9	56.5	48.5	69.7	64.8

Almost 55% of the total from incentives and profit-sharing was invested in the Schneider Electric shareholder funds and nearly 24% was cashed in by employees.

The "Schneider Electric" employee shareholding

Schneider Electric employees are the drivers of company growth. They are the main force behind the Group with their knowledge of the business and their involvement in the roll-out of Group strategy. By linking employees to its capital, Schneider Electric allows them to profit from value creation other than by their salary, thus bringing together the interests of the employees and the Company. In countries where regulations permit, Schneider Electric offers its employees the opportunity to invest to restricted share capital increases.

The Group's last employee share issue took place in July 2011. This resulted in a subscription of 1.9 million shares.

At December 31, 2011, employees held a total of 25,001,870 Schneider Electric SA shares through the corporate mutual funds or directly, representing 4.55% of the capital and 7.06% 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 funds.

The Group's employee shareholders are broken down as follows: 47% in France, 13% in the United States and 40% internationally, including China, India, Brazil and Russia. More than 30% of our employees are Group shareholders and are spread over 60 countries.

Profit sharing bonus

In 2011, employees of French entities received a EUR200 payment as a profit sharing bonus. This bonus benefitted from a 50% matching contribution when allocated to the Shareholder fund.

> 6. Performance share grants and stock option plans

Performance share grant plans with performance criteria and stock option plans

The figures below have been calculated where necessary to take account of the two-for-one share split, effective from September 2, 2011.

Grant policy

As part of its overall staff pay policy, each year Schneider Electric sets up a long-term incentive plan based on an annual allocation of stock grants, and, for employees who are US citizens or residents, Stock Appreciation Rights (SARs) that are akin to stock options, and stock options until December 2009. Since December 2010, stock options have no longer been granted. Phantom shares which track performance share grants have also been granted to certain beneficiaries in emerging market countries.

These plans are established by the Management Board, as authorized by the Supervisory Board, which takes decisions based on the report from the Remuneration, Appointments and Human Resources Committee.

Beneficiaries include members of Senior Management, top managers of the Group in all countries, high-potential managers and employees whose performance and potential were judged exceptional.

Each year Schneider Electric increases the number of beneficiaries of the annual plan. There were 1,579 beneficiaries in 2009, 2,360 in 2010 and 2,637 in 2011.

Allocations to Senior Management, including corporate officers, dropped from 17% of the total in 2006 to 11.1% in 2011.

The annual plans are set up in December for the following fiscal year so that beneficiaries can be informed of their stock option and performances shares grants at the same time as their targets for the year ahead.

The annual plan for 2012 was set up in December 2011. It comprises the following plans, all of them subject to performance criteria:

- performance share plan 13 and 13bis, concerning 647,943 shares and 608 beneficiaries (French residents);
- performance share plan 14 and 14bis, concerning 1,386,800 shares and 2,029 beneficiaries (residents of countries other than France);
- SAR plan, concerning 816,636 SARs and 145 beneficiaries (American citizens or residents);
- Phantom shares plan concerning 70,272 phantom shares and 274 beneficiaries.

Description of the shares allocated

The vesting and lock-up periods for performance shares allocations to residents of France under plans 5 and 7 are three years and two years respectively. The vesting and lock-up periods for stock allocations made under plans 8, 10, 10bis, 13 and 13bis are at least two years each.

The vesting period for performance shares allocations made to residents of countries other than France under plans 6, 9 and 11, 11bis, 12, 14 and 14bis is four years, with no lock-up period.

Similarly the beneficiaries of phantom shares have a vesting period of three years.

performance shares grants and phantom 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 253). Since January 2009, for members of the Management Board, and since December 2011 for members of the Executive Committee, allocations of stock grants are fully subject to the achievement of performance conditions.

Description of the stock option plans

The option exercise price is equal to the average closing price of the twenty trading days prior to the date of allocation by the Management Board. No discount is applied.

Since 2006, the options have a ten year life. They may not be exercised until after the fourth year. However, they can be exercised before maturity in the case of a takeover bid for the Company's shares. Exceptionally, options granted under plans 22, 23 and 25 may be exercised as from the first year. Similarly, US citizens and residents may exercise their rights following the third year under certain plans.

Options may only be exercised by Group employees. In addition, exercise of 50% of the options allocated is dependent on specific targets being met, detailed below (see page 251). Effective from January 2009, all of the options granted to members of the Management Board are subject to performance criteria.

Description of Stock Appreciation Rights (SARs)

SARs have the same vesting period and expiration date as the corresponding options or grants and are subject to the same performance criteria. The beneficiary receives the proceeds in cash.





Description of phantom shares

Phantom shares are akin to performance shares and are subject to specific performance criteria. The beneficiary receives the proceeds in cash.

Lock-up arrangements applicable to members of the Management Board

The Supervisory Board has set:

- a retention target of shares representing three years of base salary for Jean-Pascal Tricoire, and two years of base salary for Emmanuel Babeau. Calculation of the number of shares held is based on Schneider Electric SA shares equivalent to the FCP (Company 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 Supervisory Board has approved the following:

- retention of a proportion of shares arising from the exercise of options granted under plans 30 and following must be held in a registered account. This number corresponds to a percentage of the capital gains realised through exercise of the options, net of taxes and obligatory contributions and the sums necessary to fund the purchase of such shares. The percentage is fixed at 25% for Jean-Pascal Tricoire and 15% for Emmanuel Babeau;
- mandatory retention beyond the lock-up period of a percentage of the shares acquired under plans 3 and following. The percentage is fixed at 25% for Jean-Pascal Tricoire and 15% for Emmanuel Babeau;
- obligatory investment in Schneider Electric SA shares of 10% of the selling price (net of taxes and contributions) of performance shares grants acquired through plans set up in 2009.

These obligations are suspended once the shareholding targets described above are met.

Stock options and stock grants held by members of the Management Board

Mr Jean-Pascal Tricoire

As of December 31, 2011, Jean-Pascal Tricoire held 859,336 options of which 190,000 based on Group performance criteria, 147,500 stock grants also subject to performance criteria, 6,750 shares acquired under share plan 3 which will become available as of December 19, 2012, and 10,588 shares under plan 1 which became available as of December 21, 2011.

The vesting period for plan 8 expired on December 21, 2011. However, determination of the level of achievement of the performance criteria required the closure and publication of the 2011 financial statements, which occurred on February 22, 2012. As a result, delivery of the securities was deferred to that date.

Mr Emmanuel Babeau

As of December 31, 2011, Emmanuel Babeau held 40,000 options, including 30,000 based on performance criteria, and 52,000 stock grants, of which 49,500 were subject to performance criteria.

The vesting period for plan 8 expired on December 21, 2011. However, determination of the level of achievement of the performance criteria required the closure and publication of the 2011 financial statements, which occurred on February 22, 2012. As a result, delivery of the securities was deferred to that date.

Past stock option plans

The data below are adjusted for the two-for-one share split, effective September 2, 2011.

Plan	Plan date	Number of beneficiaries at inception	Number of options at inception	of which corporate officers	Exercise price (in euros)	Performance criteria	% of targets reached	Options cancelled by performance criteria ⁽¹⁾	Options outstanding at Dec. 31, 2011 ⁽²⁾
21	Feb. 5, 2003	433	4,000,000	300,000	22.60	50% of options - 2005 net operating profit and return on capital employed	84.0	283,800	- ⁽⁵⁾
22	Feb. 5, 2003	111	222,000	-	22.60	Without - plan reserved to winners of the trophy	NA	NA	- ⁽⁵⁾
23	May 6, 2004	107	214,000	-	27.77	Without - plan reserved to winners of the trophy	NA	NA	22,292
24	May 6, 2004	402	4,121,400	300,000	27.77	50% of options - operating margin on revenue - 1/3 per year on 2004, 2005 and 2006	88.9	188,600	571,390
25	May 12, 2005	157	277,000	-	28.23	Without - plan reserved to winners of the trophy	NA	NA	44,068
26	Jun. 28, 2005	458	4,007,600	400,000	30.09	50% of options - 2005 and 2006 operating margin and revenue	100	-	1,647,570
27	Dec. 1, 2005	419	3,229,800	300,000	35.70	50% of options - 2006 and 2007 operating margin and revenue	100	-	1,899,410
28	Dec. 21, 2006	489	2,514,240	224,000	40.67	50% of options - 2007 and 2008 operating margin and revenue	100	-	1,800,722
29	Apr. 23, 2007	43	166,300	-	48.52	50% of options - 2007 and 2008 operating margin and revenue	100	-	144,300
30	Dec. 19, 2007	542	1,889,852	176,400	46.00	50% of options - 2008 and 2009 operating margin and revenue	-	887,952	841,960
31	Jan. 5, 2009	328	1,358,000	137,000	26.06	50% of options/100% for the Management Board - 2011 operating margin ⁽⁴⁾ and 2009 to 2011 EPS compared to a benchmark selection ⁽³⁾	80 ⁽⁶⁾	-	1,253,300
32	Aug. 21, 2009	1	10,000	10,000	31.30	without	-	-	10,000
33	Dec. 21, 2009	391	1,652,686	130,000	37.92	50% of options/100% for the Management Board - 2010 and 2011 operating margin ⁽⁴⁾ and 2011 share of revenue generated in the new economies	100	-	1,624,636
		23,662,878	1,977,400				-	1,360,352	9,859,648

(1) Number of shares cancelled for non-achievement of targets (plans 23 to 30).

(2) Number of options outstanding after deduction of all cancellations and exercises since the plan was initiated.

(3) On the basis of a pre-defined and fixed list of 11 competitor companies.

(4) Excluding restructuring costs.

(5) 58,778 options for plan 21 and 12,120 options for plan 22 were cancelled following the end of the annual period (February 4, 2011).

(6) Application of these performance criteria has resulted in the cancellation of 133,760 options granted under plan 31 in 2012.





Details on outstanding options (2011)

The data below are adjusted for the two-for-one share split, effective September 2, 2011.

Plan	Plan date	Type of plan ⁽¹⁾	Expiration date	Exercise price in euros (2)	Plans as at 1 January 2011	of which corporate officers ⁽³⁾	Number of options exercised during the financial year	Number of options cancelled during the financial year	Options outstanding at December 31, 2011
21	Feb. 5, 2003	S	Feb. 4, 2011	22.60	88,452	-	29,674	58,778	-
22	Feb. 5, 2003	S	Feb. 4, 2011	22.60	12,940	-	820	12,120	-
23	May 6, 2004	S	May 5, 2011	27.77	30,332	-	8,040	-	22,292
24	May 6, 2004	S	May 5, 2011	27.77	845,644	66,156	274,254	-	571,390
25	May 12, 2005	S	May 11, 2013	28.23	58,940	-	14,872	-	44,068
26	Jun. 28, 2005	S	Jun. 27, 2013	30.09	1,890,198	403,922	234,952	7,676	1,647,570
27	Dec. 1, 2005	S	Nov. 30, 2013	35.70	2,168,392	302,942	265,750	3,232	1,899,410
28	Dec. 21, 2006	S/P	Dec. 20, 2016	40.67	2,105,646	161,574	291,794	13,130	1,800,722
29	Apr. 23, 2007	S/P	Apr. 22, 2017	48.52	152,300	-	-	8,000	144,300
30	Dec. 19, 2007	S/P	Dec. 18, 2017	46.00	882,440	63,000	-	40,480	841,960
31	Jan. 5, 2009	S/P	Jan. 4, 2019	26.06	1,286,900	90,000	-	33,600	1,253,300 ⁽³⁾
32	Aug. 21, 2009	S/P	Aug. 20, 2019	31.30	10,000	10,000	-	-	10,000
33	Dec. 21, 2009	S/P	Dec. 20, 2019	37.92	1,646,086	130,000	-	21,450	1,624,636 ⁽³⁾
					11,178,270	1,227,594	1,120,156	198,466	9,859,648

(1) S = subscription option plan / P = purchase option plan.

(2) Average of the 20 rates preceding the grant, with no discount or premium.

(3) Application of these performance criteria has resulted in the cancellation of 133,760 options granted under plan 31 in 2012.

Situation of corporate officers, broken down by plan (at December 31, 2011) ⁽¹⁾

The data below are adjusted for the two-for-one share split, effective September 2, 2011.

(in italics, options still subject to performance conditions)

24	Henri Lachmann	66,156
26	Henri Lachmann	403,922
27	Henri Lachmann	302,942
28	Jean-Pascal Tricoire	161,574
30	Jean-Pascal Tricoire	63,000
31	Jean-Pascal Tricoire	90,000
32	Emmanuel Babeau	10,000 ⁽²⁾
33	Jean-pascal Tricoire	100,000
	Emmanuel Babeau	30,000

(1) Options attributed at the time of his recruitment as Chief Financial Officer.

(2) In his role as corporate officer at the date of attribution.

Past share plans (at December 31, 2011)

The data below are adjusted for the two-for-one share split, effective September 2, 2011.

Plan	Plan date	Number of beneficiaries at inception	Number of shares at inception	Vesting period	Holding period	Performance criteria	% of targets reached	Rights cancelled ⁽¹⁾ ⁽³⁾	Corpo- rate offi- cers ⁽²⁾	Total rights cancelled since the grant	Rights outstanding at December 31, 2011
4	Dec. 19, 2007	274	114,500	4 years	0	50% of shares - 2008 and 2009 operating margin and revenue	-	55,394	0	10,052	0 ⁽⁵⁾
5	Jan. 5, 2009	342	287,430	3 years	2 years	50% of shares/100% for the Management Board - 2011 operating margin ⁽⁴⁾ and share of revenue generated in the new economies 2011	100	-	22,500	14,600	272,830
6	Jan. 5, 2009	721	424,702	4 years	0	As plan 5	100	-	0	30,954	393,748
7	Aug. 21, 2009	1	2,500	3 years	2 years	without	-	-	2,500	0	2,500
8	Dec. 21, 2009	395	319,506	2 years	2 years	50% of shares/100% for the Management Board - 2010 and 2011 operating margin ⁽⁴⁾ and share of revenues generated in the new economies in 2011	100	-	32,500	1,544	317,962
9	Dec. 21, 2009	1,184	780,190	4 years	0	As plan 9	100	-	0	29,780	750,410
10	Dec. 17, 2010	658	665,524	2 years and 3 months	2 years	50% of shares/100% for the Management Board - 2011 and 2012 operating margin ⁽⁴⁾ and 2011 and 2012 average revenue growth compared to changes in world GDP over the same period	-	-	70,000	3,544	661,980
10 bis	June 26, 2011	1	3,000	2 years	2 years	As plan 10	-	-	0	0	3,000
11	Dec. 17, 2010	1,702	1,161,696	4 years	0	As plan 10	-	-	0	0	1,136,076
11 bis	July 26, 2011	1	5,882	4 years	0	As plan 10	-	-	0	0	5,882
12	July 26, 2011	1	19,850	4 years	0	with no performance conditions	-	-	0	0	19,850
13 and 13 bis ⁽⁶⁾	Dec. 16, 2011	608	647,943	2 years and 3 months	2 years	50% of the shares/100% for the Management Board and Executive Committee - 2012 and 2013 ⁽⁴⁾ operating margin and change in the Planet & Society barometer to the end of 2013	-	-	72,000	0	647,943
14 and 14 bis ⁽⁶⁾	Dec. 16, 2011	2,029	1,386,800	4 years	0	As plan 13	-	-	0	0	1,386,800
5,819,523							55,394	199,500	90,474	5,598,981	

(1) Rights cancelled for non-achievement of targets.

(2) Rights after cancellations for non-achievement of targets.

(3) Application of the performance conditions led to the cancellation of 55,394 shares in 2010 (plan 4).

(4) Excluding restructuring costs.

(5) 53,064 shares were delivered on December 19, 2011.

(6) Plans 13 bis and 14 bis each include a beneficiary. The vesting conditions are identical to those of plans 13 and 14.





Situation of corporate officers, broken down by plan (at December 31, 2011) ⁽¹⁾

The data below are adjusted for the two-for-one share split, effective September 2, 2011.

(in italics, shares still subject to performance conditions)

1	Jean-Pascal Tricoire	10,588 ⁽²⁾
3	Jean-Pascal Tricoire	6,750
5	Jean-Pascal Tricoire	22,500
7	Emmanuel Babeau	2,500 ⁽³⁾
8	Jean-Pascal Tricoire	25,000
	Emmanuel Babeau	7,500
10	Jean-Pascal Tricoire	50,000
	Emmanuel Babeau	20,000
13	Jean-Pascal Tricoire	50,000
	Emmanuel Babeau	22,000

(1) In his role as corporate officer at the date of attribution.

(2) The holding period ended on December 20, 2011.

(3) Shares attributed at the time of his recruitment as Chief Financial Officer.

Options granted and exercised and stock grants made to top 10 employee grantees during the year

The data below are adjusted for the two-for-one share split, effective September 2, 2011.

Subscription or purchase options awarded to the ten most highly paid non-corporate officer employees and options exercised by them

	Number	Exercise price/Average weighted price	Plans
Options exercised in 2011 of which the number of options bought or subscribed is the highest	247,400	34.10	24-26-27-28

Shares awarded to the ten most highly paid non-corporate officer employees

	Number	Plans
Shares awarded for 2012 (December grant)	122,500	13-14

> 7. Disclosure of information required in accordance with article L.225-100-3 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 members of the Management Board or to employees if they resign or are terminated without real cause or if their employment ends due to a public tender offer (see page 130);
- agreements entered into by the Company with change of control clauses: information on the exercise of stock options and performance shares grants (see page 249); information on certain loans and credit facilities (see page 38);
- restrictions in the articles of association on the exercise of voting rights (see page 249) relating to the non-application of the ceiling on voting rights when a public tender offer is in process.

> 8. Stock market data

In France, Schneider Electric is listed on the Eurolist of the Euronext Paris market (compartment A), where it is traded in lots of one under ISIN code FR0000121972. It is part of the market's benchmark CAC 40 index of France's largest stocks.

18-month trading data in Paris

Year	Month	Trading volume ⁽¹⁾ (in thousands)	Capital traded (in millions of euros)	Highs and lows ^{(1) (2)} (in euros)		Number of trading sessions
				High	Low	
2010	August	45,370	1,989	46.73	40.70	22
	September	51,863	2,338	47.48	40.80	22
	October	51,429	2,535	51.93	45.71	21
	November	35,675	1,899	56.88	50.43	22
	December	33,968	1,911	60.00	54.65	23
2011	January	35,086	2,008	59.68	54.18	21
	February	35,259	2,019	60.25	54.48	20
	March	51,517	2,976	61.65	52.90	23
	April	44,356	2,566	61.83	54.00	19
	May	65,613	3,790	60.28	54.10	22
	June	39,550	2,201	58.00	53.73	22
	July	43,348	2,319	58.85	47.00	21
	August	78,375	3,554	52.13	40.59	23
	September	63,191	2,626	47.40	35.94	22
	October	50,244	2,160	47.60	37.48	21
	November	50,276	1,982	43.19	35.00	22
	December	38,399	1,553	43.12	37.01	21
TOTAL 2011		595,214	29,755			257
2012	January	44,997	2,066	49.77	40.31	22

The data correspond to trading volumes on NYSE Euronext.

(1) Period from August 2010 to August 2011 restated for the two-for-one share split, effective September 2, 2011.

(2) During the trading session.





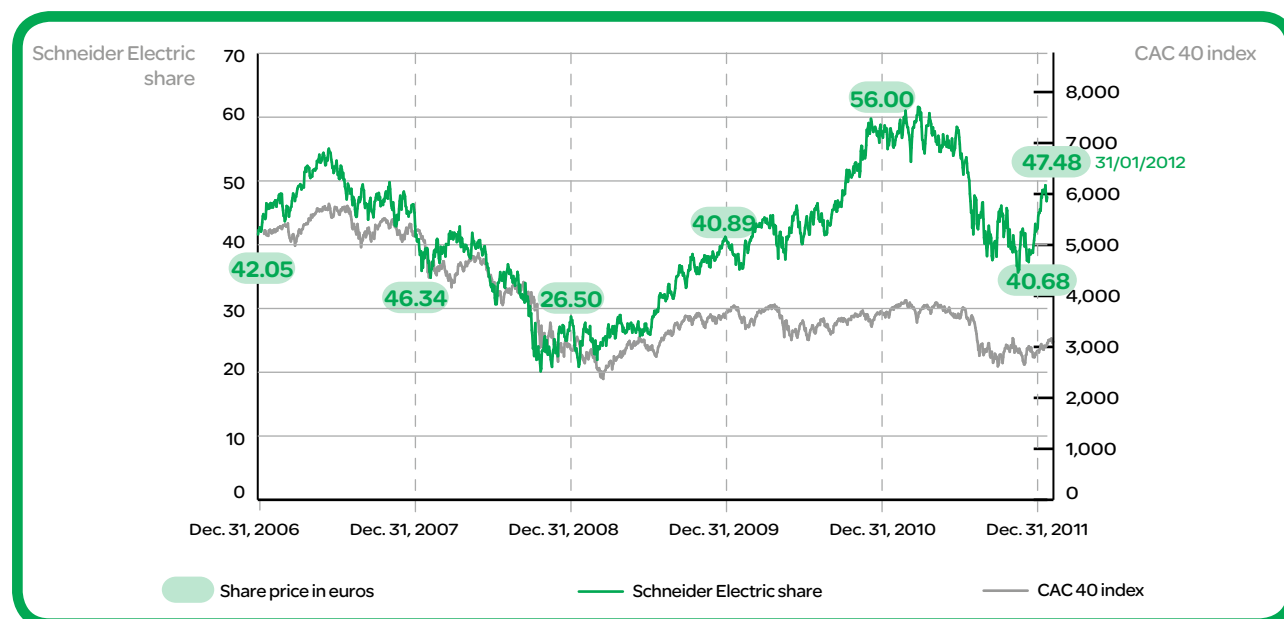
Five-year trading summary

	2011	2010	2009	2008	2007
Average daily trading volume Euronext Paris:					
• number of shares (in thousands) ⁽¹⁾	2,316.01	2,642.57	2,647.16	3,382.38	3,175.58
• in millions of euros	115.78	108.23	77.12	115.18	152
High and low share prices (in euros):					
• high ⁽¹⁾	61.83	60.00	40.93	47.15	55.13
• low ⁽¹⁾	35.00	36.00	20.65	19.42	41.76
Year-end closing price (in euros) ⁽¹⁾	40.68	56.00	40.89	26.50	46.34
Yield including tax credit (%)	4.18	2.86	2.51	6.50	3.56

The data correspond to trading volumes on NYSE Euronext.

(1) Historical data restated for the two-for-one share split, effective September 2, 2011.

The Schneider Electric SA share versus the CAC 40 index over five years



(Source: Thomson Reuters)

Monep

Options on Schneider Electric SA shares have been traded on the MONEP market since December 20, 1996.

Ordinary bonds

The information is disclosed in note 9 of the Company Financial Statements (pages 229-230).

9. Investor relations

Person responsible for financial information

Emmanuel Babeau

Executive Vice-President, Finance, member of the Management Board

35, rue Joseph Monier – CS30323

92506 Rueil-Malmaison Cedex - France

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Contacts

Institutional investors, financial analysts and private shareholders may request information and documents from:

Carina Ho, Vice-President Financial Communication and Investor Relations

For institutional investors and financial analysts: Tel: +33 (0)1 41 39 60 84

Toll-free number for individual investors in France: 0 800 20 55 14

Shareholders' Relations Committee

The Committee consists of eight individual shareholders appointed by Schneider Electric for a three-year term. Members may serve a maximum of two terms. The Committee is designed to reflect the geographical and professional diversity of the Group's shareholders and to relay their concerns to the Company. To fulfill this mission, the Committee is available at all times to pass on comments from shareholders to the Company. It gives an opinion and makes suggestions on investor relations actions and resources. In 2011, the Committee met to discuss various topics and to participate in events dedicated to individual shareholders, including:

- ways to strengthen the Company's strategy for individual Shareholders ;
- the Committee's participation in the Q&A session with the Chairman at the Annual Shareholders Meeting.

In 2011, Committee members also took part in the following events:

- visit of Schneider Electric's Research and Development center at Grenoble-Eybens ;
- guided tour of our showroom at our headquarters in Rueil Malmaison.

Shareholder documents

The Company makes available to its shareholders:

- the annual report and a short form;
- a letter to shareholders;
- general, economic and financial information (presentations-press releases);
- a corporate website <http://www.schneider-electric.com>.







Annual and Extraordinary Shareholders' Meeting

1. Management Board report	260
2. Supervisory Board's comments on the Management Board's report, made in accordance with article L.225-68 of the French Commercial Code	264
3. Auditors' special reports	264
4. Resolutions	268

> 1. Management Board report

Ordinary Meeting

Approval of the parent company financial statements - first resolution -

We ask you to approve the transactions and financial statements for the year 2011, as presented, which show a net profit of EUR2,603.7 million.

Approval of the consolidated financial statements - second resolution -

We ask you to approve the transactions and consolidated financial statements for the year 2011, as presented, which show a net profit for the Group of EUR1,820 million.

Distribution: payment of a dividend of EUR1.70 per share - third resolution -

We recommend a dividend of EUR1.70 per EUR4 par value share. This represents a distribution rate of almost 50% of net profit for the Group. The dividend will be paid on May 16, 2012 on 548,943,024 shares holding dividend rights on January 1, 2011 that made up the capital on December 31, 2011. No dividend will be paid on treasury shares on the payment date; the corresponding amounts will be allocated to retained earnings.

The dividend will be paid out of profit available for distribution, consisting of:

- retained earnings of EUR96,496,292.01;
- net income for the year of EUR2,603,738,064.30;
- less the statutory allocation to the legal reserve of EUR2,009,936.80;

and amounting to EUR2,698,224,419.51.

The dividend payment will total EUR933,203,140.80; the remaining profit available for distribution in euros will be allocated to retained earnings.

For individual shareholders who pay income tax in France, a social security tax of 13.5% will be charged on the gross dividend.

After applying a 40% (uncapped) allowance, only 60% of the dividend amount net of social security tax will be included in taxable income, less:

- any deductible charges and expenses; and
- an annual allowance of EUR1,525 for single, widowed or divorced persons or couples filing separately or EUR3,050 for couples who file a joint tax return.

The full dividend will be eligible for the 40% allowance. No amounts eligible or not eligible for the 40% deduction provided for in article 158-3-2 of the French Tax Code will be distributed, other than the dividend described above.

Shareholders may also choose to pay a withholding tax (at 21%) on the full dividend amount with no allowances. In this case, the allowances and tax credits described above will not apply.

Dividend payments for the last three years were as follows:

	2008	2009	2010
Dividend paid per share of EUR8 par value ⁽¹⁾	3.45	2.05	3.20
Dividend paid per share adjusted for a two-for-one share split ⁽²⁾	1.725	1.025	1.60

(1) The full dividend is eligible for a 40% deduction for individuals resident in France. Non-eligible dividends have been distributed.

(2) The two-for-one share split effective on September 2, 2011.

Agreements and obligations governed by articles L.225-86 and L.225-90-1 of the French Commercial Code - fourth and fifth resolutions -

We request you to approve the agreements and regulated obligations presented in the Statutory Auditor's report drawn up pursuant to article L.225-88 of the French Commercial Code, regarding:

- the adaptation of the top-hat defined benefit pension plan for the French Group's senior executives allowed to the Management Board members;
- the agreements and obligations to Mr Jean-Pascal Tricoire, approved by the General Shareholder's Meeting on April 23, 2009, which must be approved once more by the Assembly under the TEPA Act.

The adaptation of the top-hat defined benefit pension plan for the French Group's senior executives (4th resolution)

The Group's senior executives affiliated to the French Social Security systems are the Management Board members that benefit from a top-hat defined benefit pension plan – article 39 –. This plan presented on page 125 set up a pension of a maximum amount equal to 60% of the difference between the average remuneration of the last three years ("reference salary") and the total of external

pensions. The amount of this pension is capped to 25% of the reference salary considering, if applicable, the amount paid for the defined contribution plan(s) (article 83). This plan does not conform to the recommendations of the AFEP/MEDEF corporate governance guidelines which anticipate that the basic rights are acquired without length of service conditions in the Group. In order to conform to these recommendations, the reform anticipates:

- closure of the current article 39 plan to all new entrants;
- implementation of a new article 39 plan open to Executive Committee and Board members with progressive vesting of rights according to time of service in the Group and on the Executive Committee. Full rights are granted after 15 years of service for a new entrant to the plan, except for the Group service condition. The new plan is contingent upon completing a career in the Company with the same flexibility introduced by Social Security in 2004. Therefore, conditional assurance of an income is maintained in case of dismissal, producing the same effects as employee redundancy, after 55 years of age without restarting work or for 2nd or 3rd category disability as defined by Social Security without restarting work.

For the rest, the new plan includes the provisions of the current plan, notably:

- limiting the top-hat pension to 25% of the reference salary considering the pension paid for the article 83 plans implemented by the Group (unchanged from current plan);
- the right to a widow/widower's pension for the surviving partner;
- a spouse's pension if a senior executive dies before retirement age, although limited to rights acquired by the date of death;
- pension supplement paid to a senior executive from the retirement date after disability occurring during work activities.
- the progressive replacement of the conditional rights of the new plan for those of the current plan. In effect, the conditional rights of the two plans are not added together but are gradually replaced. As a result, the current plan, which has been continued because of a wider scope of beneficiaries, will disappear in the future.
- outsourcing of the new article 39 plan. This outsourcing is mandatory. To this end, a contract was signed with the company AXA France Vie following an invitation to tender issued by an independent firm. This contract only involves outsourcing of the new plan that will come into force on July 1, 2012, the outsourcing of the old article 39 plan still being under review.

Renewal of Mr Jean-Pascal Tricoire's status (5th resolution)

In conformity with the AFEP/MEDEF recommendations of October 6, 2008, Mr Tricoire agreed to resign from his employment contract at the time of renewing his appointment as Chairman of Management Board in May 2009. Also, in agreement with Mr Jean-Pascal Tricoire, the Supervisory Board of February 18, 2009 defined a status that was approved by the Annual Shareholders' Meeting of April 23, 2009. This status stipulates that Mr Tricoire:

1°) will continue to benefit from:

- the Schneider Electric SA and Schneider Electric Industries SAS employee benefit plan, which offers health, incapacity, disability and death cover,
- the supplementary health, incapacity, disability and death cover available to the Group's French senior executives,

- the top-hat pension plan for the Schneider Group's French senior executives above described;
- 2°) receives compensation in the event of termination capped at two years of his target remuneration (fixed salary and target bonus, maximum described below) taking into account compensation provided for in the non-compete agreement described below and subject to performance criteria;
- 3°) is bound by his non-compete agreement should he leave the Company, unless a mutually agreeable arrangement is found; the agreement lasts for one year and is remunerated (60% of target remuneration: fixed and bonus);
- 4°) retains forthwith, subject to performance criteria, the benefit of his stock options, stock grants and performance shares granted to him or that will be granted to him, should he leave the Company.

The appointment to the Management Board comes to an end on May 2, 2012; the Supervisory Board of February 21, 2012 has decided to renew the roles of Board members for three years and therefore, to renew Mr Tricoire's status under the two adjustment conditions presented hereafter. It is therefore stipulated that Mr Tricoire:

1°) benefits from:

- the Schneider Electric SA and Schneider Electric Industries SAS employee benefit plan, which offers health, incapacity, disability and death cover,
- the supplementary cover available to the Group's French senior executives for health, incapacity, disability and death. The contingency and supplementary cover compensation are now subject to performance criteria. The right to compensation is subject to one of the two following criteria being present: the average net profit for the last five financial years is positive or the average free cash flow amount for the last five years is positive;
- 2°) benefits from a compensation due in the event of dismissal capped taking into account the compensation provided for in the non-compete agreement described below, not twice the last target remuneration (fixed salary and target bonus), but twice the average actual annual remuneration (fixed salary and variable) for the last three years (hereafter "Maximum Amount"). The amount due will be subject to performance criteria;

Compensation will be due in the event that:

- (i) Mr Tricoire resigns, is dismissed or is not reappointed as a member or Chairman of the Management Board in the 12 months following a material change in Schneider Electric's shareholder structure that could change the membership of the Supervisory Board;
- (ii) Mr Tricoire resigns, is dismissed or is not reappointed as a member or Chairman of the Management Board following a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in Schneider Electric's shareholder structure as described above;
- (iii) Mr Tricoire is asked to resign, is dismissed or is not reappointed as a member or as Chairman of the Management Board when the mathematical average of the rate of achievement of Group objectives used to calculate his bonus was 50% or higher in the four completed financial years preceding his departure.

Compensation will depend on the mathematical average of the rate of achievement of Group performance objectives used to determine Mr Tricoire's bonus for the three completed financial

years preceding the date of the Board meeting at which the decision is taken.

If the mathematical average of Group performance objectives rate is:

- less than 50% of the target: no compensation will be paid,
- equal to 50% of the target: he will receive 75% of the Maximum Amount,
- equal to 100% of the target: he will receive 100% of the Maximum Amount,
- between 50% and 100%: he will receive between 75% and 100% of the Maximum Amount calculated on a straight-line basis according to the rate of achievement;

The mathematical average of the Group target achievement rate for the last three years (2009 to 2011) was 138.6%

3°) is bound by his non-compete agreement should he leave the Company, unless a mutually agreeable arrangement is found; the agreement is for a period of one year and is remunerated (60% of target remuneration: fixed + variable);

4°) retains forthwith, subject to performance criteria, the benefit of his stock options, stock grants and performance shares granted to him or that will be granted to him, should he leave the Company. The performance criterion depends on the mathematical average of the rate of achievement of Group performance objectives, used to determine Mr Jean-Pascal Tricoire's bonus for the three completed financial years preceding his departure, will be equal to at least 50% of the target.

Mr Tricoire also benefits from the top-hat pension plan for the Group's senior executives as presented below and which approval of the change is contained in the 4th resolution.

Nomination of the Supervisory Board members - sixth to fifteenth resolutions -

The appointments of Mrs Léo Apotheker, Claude Briquet, Jérôme Gallot, Willy Kissling, Henri Lachmann and Richard Thoman come to an end at the close of the Annual Shareholders' Meeting. In addition, the Supervisory Board on December 15, 2011 co-opted Mr Xavier Fontanet to replace Mr Anand Mahindra whose appointment will also come to an end at the close of the Annual Shareholders' Meeting.

The Board considers the importance of the changes that occurred in 2011 in its composition, with the addition of Mrs Betsy Atkins and Mrs Jeong Kim, Dominique Sénéquier and Xavier Fontanet who was co-opted to replace Mr Anand Mahindra, pausing in its policy of female quotas, internationalisation and rejuvenation of its members. In addition, the Management Board, in agreement with the recommendation from the Supervisory Board, proposes:

- to renew the appointment of Messrs Kissling, Lachmann and Thoman for a two year period due to the new statutory provisions relating to the age of Board members, and of Messrs Apotheker and Gallot for a period of four years;
- to ratify the co-opting of Mr Xavier Fontanet and elect him as a member of the Supervisory Board for a period of four years.

Mr Briquet having been nominated to represent the employee shareholders in virtue of the provisions of article 11-c of the articles of association, his successor must be nominated according to the procedure for this article. The procedure stipulates that when the employee shareholders hold more than 3% of the capital at the end of a financial year, the representative for the employee shareholders must be elected by the Annual Shareholder's Meeting from among the candidates designated by the FCPE (collective employee

shareholding plan investing in the Company shares) Supervisory Boards or designated by the employee shareholders when their shares are held directly and not via the FCPEs.

The candidates who have been designated are Mr Manfred Brill, Mr Claude Briquet, Mrs Magali Herbaut and Mr Thierry Jacquet.

Following the Supervisory Board's recommendation, the Management Board has agreed to the 14th resolution nominating Mrs Magali Herbaut as a Supervisory Board member representing employee shareholders. Indeed, Mrs Magali Herbaut's profile fits the objectives of female quotas, rejuvenation and, taking into account her professional pathway within the Group, of internationalisation, as set by the Supervisory Board regarding its composition.

The Management Board therefore invites you to vote solely in favour of the 14th resolution and to abstain from the 12th, 13th, and 15th resolutions.

Biographical notes for Messrs Apotheker, Fontanet, Gallot, Kissling, Lachmann and Thoman, as well as their roles are provided in the Company governance report (see pages 109-115). The candidates for the Supervisory Board member duties to represent the employee shareholders are given below.

Mr Manfred Brill (age: 57)

Manfred Brill holds German nationality and after studying applied science at university began his career in 1975 in the company BBC AG as a project and software engineer. In 1982, he joined AEG AG as a programmer, then taking on the role of systems engineer. He later became R&D manager for communication systems and then joined Schneider Electric Group at the time of the JV AEG Schneider Automation. From 1999 to 2004 he worked as head of the Communication and Configuration Department and since then has held the position of SW Governance Manager. He was Vice-Chairman of the Supervisory Board of Schneider Electric GmbH from 2004 to 2008 and is Chairman of the Worker's Council of Schneider Electric Automation GmbH.

Mr Claude Briquet (age: 50)

Claude Briquet is an engineering graduate from National School of Engineers in Tarbes and from ENSEEIHT in Toulouse. He joined the Schneider Electric Group in 1985 and began his career in the areas of development, quality and production. He managed the Pacy I plant from 1992 to 1996 and the Vaudreuil plant from 1996 to 1999. He was appointed Executive Vice-President of Mafelec in 1999 and of Alombard in 2001. Mr Briquet is currently responsible for trading in Europe within the Industry Department of Schneider Electric's European Operating Division. He is a member of the Supervisory Board of Schneider Electric SA and is Chairman of the Supervisory Board of FCPE Schneider France Germany.

Mrs Magali Herbaut (age: 40)

Magali Herbaut graduated from the École Supérieure de Commerce in Grenoble and earned an MBA from Laval University (Canada). She began her career as an auditor for the firm Deloitte, then joined Schneider Electric in 1996 as a management controller for Schneider Electric Automation GmbH. Ms Herbaut spent two years as a management controller for Schneider Electric Automation Inc. in the US, before becoming Chief Financial Officer for Normabarre (2000-2003) then for the Medium Voltage/Low Voltage Regional Facilities Unit (2003-2007), later taking charge of the Alombard plant (2007-2008). Since 2009, she has managed the Electrical Wiring activity in the Business Unit LifeSpace for the EMEAS region. Ms Herbaut is a member of the Supervisory Board of the FCPE Schneider Actionnariat.

Mr Thierry Jacquet (age: 47)

Thierry Jacquet holds a master's degree in Management from the École Supérieure de Commerce in Grenoble and a degree from the Grenoble Technology Institute. He studied Electrical Engineering at the Paul Louis Merlin School and began his career in 1982 with the Schneider Electric Group as a cable fitter for very high voltage work. After a period as a draughtsman, in 1987 he was appointed to the medium voltage technical sales business where he remained until 1999. After 1995, he was elected (CFDT - the French Democratic Confederation of Labour) to the Worker's Council of Schneider Electric Grenoble and to the Central Company Committee for Schneider Electric where he was Chairman of the economic commission from 2003-2006. Since 2007, he has been a member of the European Company Committee of Schneider Electric and secretary of this committee since 2009. Thierry Jacquet is Chairman of the Supervisory Board of FCPE Schneider Actionnariat and a member of the Supervisory Board of FCPE Schneider France Germany.

Share buybacks - sixteenth resolution -

We request that you renew the authorisation given to the Company by the General Meeting of April 21, 2011 to buy back its shares by any appropriate method, including through the use of derivatives, pursuant to the provisions of article L.225-209 of the French Commercial Code.

The Company buyback programs may have various objectives: to reduce the issued capital; or to cover plans for stock options or plans for stock grants; or to permit the conversion of convertible debt securities; or to carry out external growth transactions and to ensure an active market for the Company's shares.

Shares bought back may be cancelled in accordance with the authorisation given to the Management Board by the twenty-fifth resolution adopted by the General Meeting of April 21, 2011.

Further information on your Company's share buyback programmes is provided on page 246.

You are asked to authorise the Company to buy back shares representing at most 10% of the issued capital as of the date of the Meeting (e.g. 54,894,302 shares based on issued capital as at December 31, 2011). The maximum purchase price is set at EUR75. This authorisation will not be available for use during offer periods.

Extraordinary Meeting

Capital increases restricted to employees - seventeenth resolution

The General Meeting of April 21, 2011 authorised the Management Board to proceed within the 2% capital limit to issue shares to employees who are members of the PEE company savings plan (hereafter: "twenty-third resolution") as well as to issue shares to employees from non-French Group companies or to entities created to represent these employees (hereafter: "twenty-fourth resolution"). This last resolution aims to allow employee shareholder operations in certain countries where the PEE plan rules do not easily comply with the legislation.

Within the scope of these authorisations, the Supervisory Board of December 15, 2011 authorised the Management Board to renew the annual employee shareholder operation in 2012 within a limit of 4.9 million shares (almost 0.9% of the capital). This program will include a non-leveraged and a leveraged plan (x10) restricted to employees of Group will be offered in 27 countries, excluding France and the United States, representing 80% of employees.

The twenty-third resolution is valid until June 2013, whereas the twenty-fourth resolution expires in November 2012. Therefore, to allow a new global employee shareholder program in 2013, we propose a renewal of this authorisation with the same conditions.

The authorisation will not exceed 1% of the capital. They will be deducted from the ceiling of 2% of the capital set for the issuance of shares to employees who are members of the PEE plan. At the discretion of the Management Board, the issue price will be based on either (i) the opening or closing price of the Company's share quoted on the trading day the decision of the Management Board setting the issue price is made, or (ii) the average of the opening or closing prices quoted for the Company's shares over the twenty trading days preceding the decision of the Management Board setting the issue price under this resolution or under the twenty-third resolution. The Management Board may apply a maximum discount of 20% to the reference price. The discount will be determined by the Management Board taking into consideration any foreign legal, regulatory or tax provisions that may apply to any beneficiary governed by foreign law.

This authorisation cancels and replaces the existing authorisation from August 1, 2012 given in the twenty-fourth resolution for the amounts remaining unused by July 31, 2012. This authorisation is valid for a period of 18 months and can only be used from August 1, 2012.

Finally, the eighteenth resolution requests the powers necessary to carry out formalities.

> 2. Supervisory Board's comments on the Management Board's report, mode in accordance with article L.225-68 of the French Commercial Code

The Supervisory Board wishes to congratulate the staff and the Management Board on the successful conclusion of the One company programme. But over and above the simple achievement of their objectives, the Supervisory Board wishes to emphasize the transformations that Schneider Electric achieved with One that constitute solid foundations for the future of the Group.

The results for the year ending 31 December 2011 in a particularly volatile and difficult environment clearly show:

- excellent 14% growth driven largely by 8.3% organic growth, revenues of over EUR22.3 billion;
- EBITA before acquisition and integration costs up 7% with a profit margin of 14.2%;
- Group share of net income, of EUR1,820 million;

- earnings per share of EUR3.39, up 3%, which based on a 50% payout rate, allows a dividend of EUR1.70 per share for submission to the General Meeting.

These results reflect the commitment and dedication of all Group employees, to whom the Supervisory Board offer their thanks.

The Supervisory Board also wishes to express its support for the new company programme Connect, which as President and CEO Jean-Pascal Tricoire states, is designed to "add to One's achievements and to broaden them to include all our strategic plans, products and solutions in developed and developing countries, while improving efficiency at all levels".

In conclusion, the Supervisory Board recommends that shareholders approve the resolutions tabled by the Management Board.

> 3. Auditors' special reports

This is a free translation into English of the Statutory Auditors' special report on regulated agreements issued in French and it is provided solely for the convenience of English speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory Auditors' special report on regulated agreements

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA, we present below our report on regulated agreements.

Our responsibility is to report to you, based on the information provided, on the main terms and conditions of agreements that have been disclosed to us or that we would have discovered at the time of our work, without commenting on their relevance or substance or researching the existence of other agreements. Under the provisions of articles R.225-31 and R.225-58 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

Furthermore, it is our responsibility, as appropriate, to inform you of the information set forth in the provisions of articles R. 225-31 and R.225-58 of the French Commercial Code pertaining to the signing during the past year of agreements already approved by the Shareholders' at the Shareholders' Meeting.

We carried out our work in accordance with French professional standards. Those standards require that we perform procedures to verify that the information given to us agrees with the underlying documents.

Agreements submitted to the shareholders for approval at the shareholders meeting

Agreements and obligations authorised since year-end

We have been advised of the following commitments and obligations, authorised since the end of the previous financial year, which were subject to advance authorisation by your Supervisory Board.

The adaptation of the top-hat pension plan with defined contributions for the French Group Senior Executives.

Persons involved: Jean-Pascal Tricoire (President and CEO) and Emmanuel Babeau (Board Member).

Your Supervisory Board, in its meeting of 21 February 2012, authorised the change to the top-hat pension plan with defined contributions for the Group managers that are subject to French social security plans (article 39), the benefits of the modified plan for Board members and the signing by your company of an outsourcing agreement for the new plan under the terms of the regulated agreements and obligations. The Board members have a direct or indirect interest.

The modification aims to make this plan compliant with the AFEF/MEDEF Business Governance Code by making provision for linking acquisition of rights to length of service in the company. In order to conform to these recommendations, the reform anticipates:

- closure of the current article 39 plan to all new entrants;
- the implementation of a new article 39 plan applicable to members of the Executive Committee and the Management Board, which provides for the progressive vesting of rights according to seniority in the Group and the Executive Committee. Full rights are gained after 15 years of service for a new entrant to the plan, except for the Group service condition. Conditional rights under the new plan are deducted from the current article 39 plan maintained for its current beneficiaries.

This new plan is contingent upon completing a career in the company with the flexibility introduced by Social Security in 2004. A conditional assurance income is thus maintained in the event of dismissal or redundancy after 55 years of age without restarting work or for 2nd or 3rd category disability as defined by Social Security without restarting work.

In other cases, the new plan includes the provisions of the current plan, notably:

- limiting the top-hat pension to 25% of the Reference Salary (60% of the difference between the average remuneration for the last 3 years and the total annuities paid from external pension plans) considering the pension paid for the article 83 plans implemented by the Group (unchanged from current plan);
 - the right to a widow/widower's pension for the surviving partner;
 - a spouse's pension if a director dies before retirement age is limited to rights acquired by the date of death;
 - pension supplement paid to a director from the retirement date after disability occurring during work activities.
- outsourcing of the new article 39 plan: this outsourcing is mandatory. To this effect, an insurance contract for company pensions with defined contributions (Article L. 137-1 of the Social Security code) was signed on 23 February 2012 by Schneider

Electric SA and Schneider Electric Industries SAS with AXA France Vie.

The nature of the contract guarantees and the implementation and operation methods were defined in accordance with legislative and regulatory provisions. The contract was agreed with normal insurance contract conditions, under which implementation depends on duration of human life.

It aims to guarantee payment of annuity arrears due under the rules of the new plan for contracting companies. It takes effect on 1 July 2012 and can be terminated each year by the parties provided notice is given before 31 October that will take effect on 31 December of the same year.

The insurance premium amounts will be established according to the periodic results from actuary experts for the respective commitments of the contracting companies.

The guarantees agreed by the insurer were agreed under normal conditions.

On the date that the contract comes into effect, the insurer will open a collective pension fund for the contracting companies. This fund will cover commitments resulting from the plan. The net premiums collected by the insurer will be allocated to technical provisions for this collective fund. Contracting companies will have recourse to arbitrage as support for the investment.

Provisions relating to the payment of employee and former employee rights and to the annuity service are standard provisions.

The particular provisions relate to:

- elements of the foundation agreement and rules of the top-hat pension plan for senior executive members of the Executive Committee for the Schneider Electric Group, provided it shall be adopted through the unilateral decision by the contracting companies; and
- commitments made to benefit the corporate officers for which the procedures established by the French Commercial Code are applicable.

A special revaluation fund for the annuities currently being paid will be formed. The contracting companies will be able to decide their allocation freely when their balance exceeds 10% of the policy liabilities for the annuities being paid (i.e. to all the stockholders or to the collective funds).

Agreements and obligations to Jean-Pascal Tricoire.

Person involved: Jean-Pascal Tricoire (President and CEO).

Within the scope of renewing the appointment of Jean-Pascal Tricoire, on 21 February 2012 your Supervisory Board decided to renew, under the conditions of the adjustments presented below for the supplementary cover of health, incapacity, disability and death risks, the top-hat pension plan and the benefits of dismissal compensation, the rewritten article of association concerning Jean-Pascal Tricoire that was produced in agreement with Mr Tricoire following his decision to resign from his employment contract on 2 May 2009 and approved by the Shareholders' Meeting of 23 April 2009.

This commitment is subject to approval by the Shareholders' Meeting for approval of year-end financial statements on 31 December 2011.

This article of association, which has been rewritten, allows that Jean-Pascal Tricoire:

1°) to continue to benefit from:

- the supplementary health, incapacity, disability and death cover available to the Group's French directors. These contingency and supplementary cover compensations are however now subject to performance criteria. Compensation is subject to one of the following two criteria being present: positive average net profit of the five years preceding the event, or positive average free cash flow for the five years preceding the event;
- the Schneider Electric SA and Schneider Electric Industries SAS employee benefit plan, which offers health, incapacity, disability and death cover;
- the modified top hat pension plan for Schneider Group senior executives as authorised by the Supervisory Board of 21 February 2012 and submitted for approval to the Shareholders' Meeting for approval of year-end financial statements on 31 December 2011.

2°) compensation in the event of leaving his corporate appointment, capped at twice the average of the effective annual remuneration for the last three years (hereafter "Maximum Amount") taking into account compensation provided for in the non-compete agreement described below and subject to performance criteria. This compensation was previously capped at two years target remuneration (fixed salary and target bonus) in accordance with the commitment approved by the Shareholders' Meeting of 23 April 2009.

Compensation will be due in the event that:

- Mr Tricoire resigns, is dismissed or is not reappointed as a member or President and CEO in the 12 months following a material change in Schneider Electric's shareholder structure that could change the membership of the Supervisory Board;
- Mr Tricoire resigns, is dismissed or is not reappointed as a member or President and CEO following a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in Schneider Electric's shareholder structure as described above;
- Mr Tricoire is asked to resign, is terminated or is not reappointed as a member or Chairman of the Management Board when the mathematical average of the rate of achievement of performance objectives used to calculate his variable bonus was 50% or higher in the four full financial years preceding his departure (or, if he has been a member and Chairman of the Management Board for less than four years, in the number of full financial years since his appointment).

Compensation will depend on the mathematical average of the rate of achievement of performance objectives used to determine the variable portion of Mr Tricoire's compensation for the three full years preceding the date of the Board Meeting at which the decision is made.

If the mathematical average is:

- less than 50%: no compensation will be paid;
- equal to 50%: 75% of the maximum compensation will be paid;
- equal to 100%: 100% of the maximum compensation will be paid;
- between 50% and 100%, compensation will be calculated on a straight-line basis at a rate of 75% to 100% of the maximum.

3°) is bound by his non-compete agreement should he leave the Company, unless a mutually agreeable arrangement is found; the agreement is for a period of one year and is remunerated (60% of target remuneration);

4°) will retain all of the stock options, stock grants and performance stock grants allocated or to be allocated to him should he leave the Company. Compensation will only be due if the mathematical average of the rate of achievement of performance objectives used to determine the variable portion of Jean-Pascal TRICOIRE's compensation for the three full years preceding prior to his departure is 50% or higher.

Agreements already submitted to the shareholders for approval at the Shareholders' meeting

We were informed of the status of the following agreements already approved by the shareholders at the Shareholders' Meeting in prior years that were or were not entered into during the past year:

- Benefit from the top-hat pension plan for French Group senior executives granted to Emmanuel Babeau

The Supervisory Board, at its meetings held on 23 April 2009 and 17 December 2009, has authorised Emmanuel Babeau to benefit from the top-hat pension plan for Schneider Electric senior executives, as he is entitled under his service contract with Schneider Electric Industries S.A.S. In the event that Mr Babeau is still in office at the date of his retirement, these plans (defined contribution plan, article 83, and defined benefit plan, article 39) will ensure him a pension equal to 25% of his average salaries over the last three years. Nevertheless, in the event that Mr Babeau leaves the Group before his retirement, the contributions related to article 83 would be his. These contributions represent a capital constituting a guaranteed income, capital which increases by EUR 22 thousand euros per year.

- Agreement with AXA (Board of Directors Meeting on 6 January 2006)

The shareholders' agreement between AXA and Schneider Electric SA, approved by the Board of Directors on 6 January 2006, calls for the continuation of stable cross-shareholdings between the two groups. Each group also holds a call option that may be exercised in the event of a hostile takeover.

This agreement was announced by the two parties on 22 December 2011. It will end on 15 May 2012.

Agreed at Courbevoie and Paris-La Défense, 21 March 2012

The Statutory Auditors

French original signed by

Mazars
David CHAUDAT

Ernst & Young et Autres
Yvon SALAÜN

Report from the Statutory Auditors on a share or securities issue with cancellation of pre-emptive subscription rights, reserved for a category of named beneficiaries

Extraordinary Shareholders' Meeting of May 3, 2012

To the Shareholders,

In our capacity as statutory auditors of your Company, and pursuant to articles L.225-135 and seq., L.228-92 and L.225-135 and seq. of the French Commercial Code, we present below our report on the project to issue common shares or securities providing access to the Company's share capital reserved for (i) the employees and corporate officers of Schneider Electric Group companies, linked to the Company under the conditions of article L.225-180 of the French Commercial Code and of article L.3344-1 of the French Labour Code and with their head office outside France; (ii) and/or mutual funds or other entities, whether or not they have legal personality, employee shareholdings invested in securities of a company whose holders of units or shareholders are the persons mentioned in (i) of this paragraph; (iii) and/or any banking institution or subsidiary of such an institution acting at the request of the Company for the purposes of implementation of an employee shareholding or savings plan for the benefit of the persons mentioned in (i) of this paragraph with cancellation of pre-emptive subscription rights. The maximum nominal amount by which the capital may be increased may not exceed 1% of the issued capital as of the date of the present Shareholders' Meeting and which you are asked to approve. The 1% capital limit will be imposed on the planned 2% limit in the twenty-second resolution adopted by the Shareholders' Meeting of the April 21, 2011; however it is autonomous and separate from the aggregate amount by which the capital may be increased under the Fourteenth and Sixteenth Resolutions of the General Meeting of April 21, 2011.

You are asked to authorise the Management Board, on the basis described in its report and with the powers of delegation, the power to set the methods for this transaction and to exclude your pre-emptive subscriptions rights for the stocks and the securities to be issued, for a period of 18 months from this Shareholders' Meeting. This authorisation may only be used as and from August 1, 2012.

The Management Board is responsible for reporting to shareholders on the proposed share issue in accordance with articles R.225-113 et seq. of the French Commercial Code. Our responsibility is to express an opinion on the fairness of figures taken from the financial statements, on the proposal to cancel shareholders' pre-emptive subscription right, and on certain other information concerning the issue, included in this report.

We performed the procedures we deemed necessary to conduct the mission in accordance with the professional guidelines of the French Institute of Statutory Auditors (CNCC). Those standards require that we perform procedures to check the content of the report drawn up by the competent management authority concerning this transaction and the methods used to determine the share price.

We have no matters to report concerning the method for determining the issue price as described in the Management Report, contingent upon our final review of the terms of the proposed issue.

Since the final conditions for the issue have not yet been fixed, we cannot formulate an opinion on these conditions and consequently have no opinion on the proposal made to you to cancel your pre-emptive subscription right.

In compliance with article R.225-116 of the French Commercial Code, we will prepare an additional report when this authorisation is used by your Management Board.

Courbevoie and Paris-La Défense, March 21, 2012,

The Statutory Auditors

French original signed by

Mazars

David CHAUDAT

Ernst & Young et Autres

Yvon SALAÜN

> 4. Resolutions

Ordinary Meeting

FIRST RESOLUTION (Approval of the 2011 parent company financial statements)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, having heard the report of the Management Board and of the Statutory Auditors, and noting the Supervisory Board's comments on the Management Board's report and on the Company financial statements, approves the financial statements for 2011 as presented, as well as the transactions contained in these statements or summarised in the reports showing a net income of EUR2,603.7 million.

SECOND RESOLUTION (Approval of 2011 consolidated financial statements)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Shareholders' Meetings, having heard the report of the Management Board and of the Statutory Auditors, and noting the Supervisory Board's comments on the Management Board's report and on the Company consolidated financial statements, approves the consolidated financial statements for 2011 as presented, as well as the transactions contained in these statements or summarised in the reports.

THIRD RESOLUTION (Appropriation of profit for the financial year and dividend proposal)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, and on the recommendation of the Management Board, based on the number of 548,943,024 shares with a nominal value of EUR4 as of December 31, 2011, decides to appropriate the profit available for distribution for the year 2011, consisting of:

- (i) retained earnings from the previous financial year of EUR96,496,292.01;
- (ii) net income for the year of EUR2,603,738,064.30;
- (iii) less the statutory allocation to the legal reserve of EUR2,009,936.80;

representing a total amount of EUR2,698,224,419.51, as follows:

Share dividend	EUR933,203,140.80
Retained earnings	EUR1,765,021,278.71
TOTAL	EUR2,698,224,419.51

The Shareholders' Meeting therefore decides a dividend payment of EUR1.70 for each of the EUR4 par value shares carrying dividend rights on January 1, 2011.

The full dividend proposed is eligible for the 40% allowance for individuals resident in France provided for in article 158-3-2 of the French Tax Code. This allowance will not apply if the shareholder

has chosen to pay the withholding tax on his or her dividends provided for in article 117 quarter of the French Tax Code.

Unpaid dividends on treasury shares held at the ex-dividend date will be allocated to retained earnings.

Apart from the dividend described above, no other amounts eligible or not eligible for the 40% allowance provided for in article 158-3-2 of the French Tax Code will be distributed.

Dividend payouts for Schneider Electric SA for the last three years were as follows:

	2008	2009	2010
Dividend paid per share of EUR8 par value ⁽¹⁾	3.45	2.05	3.20
Dividend paid per share adjusted for the division by two of the par value ⁽²⁾	1.725	1.025	1.60

(1) The full dividend is eligible for a 40% allowance for individuals resident in France for tax purposes. No non-eligible dividends have been distributed.

(2) The two-for-one share split occurred on effective on September 2, 2011.

FOURTH RESOLUTION (Approval of the arguments and regulated obligations made in 2012 relating to the top-hat defined benefit pension plan for Management Board members)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, having heard the report of the Management Board and Statutory Auditor's special report presented pursuant to the provisions of article L.225-88 of the French Commercial Code on agreements and obligations as per L.225-86, L.225-90-1 and L.225-79-1 of the Code, approves the obligations and the agreement presented in these reports relating to the top-hat pension plan with defined contributions for Management Board members.

FIFTH RESOLUTION (Approval of the agreements and regulated obligations relating to the status of Jean-Pascal Tricoire)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, having heard the report of the Management Board and Statutory Auditor's special report presented pursuant to the provisions of article L.225-88 of the French Commercial Code on agreements and obligations as per L.225-86 and L.225-90-1 of the Code, approves the obligations and the agreement presented in these reports relating to the benefit plan for Mr Jean-Pascal Tricoire, as well as the compensation and benefits due in case of cessation of duties.

SIXTH RESOLUTION

(Renewal of the appointment of Mr Léo Apotheker as a member of the Supervisory Board)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, renews the appointment of Mr Léo Apotheker as a member of the Supervisory Board for a period of four years, expiring at the close of the Shareholders' Meeting in 2016 to approve the 2015 financial statements.

SEVENTH RESOLUTION

(Ratification of the co-opting of Mr Xavier Fontanet and his appointment as a member of the Supervisory Board)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, ratifies the co-opting of Mr Xavier Fontanet as a member of the Supervisory Board with effect from December 15, 2011 and appoints him as a member of the Supervisory Board for a period of four years, expiring at the close of the Shareholders' Meeting in 2016 to approve the 2015 financial statements.

EIGHTH RESOLUTION

(Renewal of the appointment of Mr Jérôme Gallot as a member of the Supervisory Board)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, renews the appointment of Mr Jérôme Gallot as a member of the Supervisory Board for a period of four years, expiring at the close of the Shareholders' Meeting in 2016 to approve the 2015 financial statements.

NINTH RESOLUTION

(Renewal of the appointment of Mr Willy Kissling as a member of the Supervisory Board)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, renews the appointment of Mr Willy Kissling as a member of the Supervisory Board for a period of two years due to the new statutory provisions relating to the age of Board members, expiring at the close of the Shareholders' Meeting in 2014 to approve the 2013 financial statements.

TENTH RESOLUTION

(Renewal of the appointment of Mr Henri Lachmann as a member of the Supervisory Board)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, renews the appointment of Mr Henri Lachmann as a member of the Supervisory Board for a period of two years due to the new statutory provisions with regard to the age of Board members, expiring at the close of the Shareholders' Meeting in 2014 to approve the 2013 financial statements.

ELEVENTH RESOLUTION

(Renewal of the appointment of Mr Rick Thoman as a member of the Supervisory Board)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, renews the appointment of Mr Rick Thoman as a member of the Supervisory Board for a period of two years due to the new statutory provisions relating to the age of Board members, expiring at the close of the Shareholders' Meeting in 2014 to approve the 2013 financial statements.

TWELFTH RESOLUTION*

(Nomination of a Supervisory Board member to represent the employee shareholders pursuant to article 11- c of the articles of association).

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, nominates Mr Manfred Brill to replace Mr Claude Briquet, whose appointment has expired, as a member of the Supervisory Board representing the employee shareholders for a period of four years, pursuant to article 11- c of the articles of association, expiring at the close of the Shareholders' Meeting in 2016 to approve the 2015 financial statement.

THIRTEENTH RESOLUTION*

(Renewal of the appointment of a Supervisory Board member to represent the employee shareholders pursuant to article 11- c of the articles of association).

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, renews the appointment of Mr Claude Briquet, member of the Supervisory Board representing the employee shareholders, whose appointment has expired, as a member of the Supervisory Board representing the employee shareholders for a period of four years, pursuant to article 11- c of the articles of association, expiring at the close of the Shareholders' Meeting in 2016 to approve the 2015 financial statement.

FOURTEENTH RESOLUTION*

(Nomination of a Supervisory Board member to represent the employee shareholders pursuant to article 11- c of the articles of association).

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, nominates Mrs Magali Herbaut to replace Mr Claude Briquet, whose appointment has expired, as a member of the Supervisory Board representing the employee shareholders for a period of four years, pursuant to article 11- c of the articles of association, expiring at the close of the Shareholders' Meeting in 2016 to approve the 2015 financial statement.

FIFTEENTH RESOLUTION*

(Nomination of a Supervisory Board member to represent the employee shareholders pursuant to article 11- c of the articles of association).

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meetings, nominates Mr Thierry Jacquet to replace Mr Claude Briquet, whose appointment has expired, as a member of the Supervisory Board representing the employee shareholders for a period of four years, pursuant to article 11- c of the articles of association, expiring at the close of the Shareholders' Meeting in 2016 to approve the 2015 financial statement.

* *Resolutions twelve to fifteen: pursuant to article 11 - c of the articles of association of the Company, for a single seat of a member of the Supervisory Board to represent the employee shareholders to be filled, only the candidate who has obtained the largest number of votes from present and represented shareholders will be appointed. Following the recommendation of the Supervisory Board, the Management Board has approved the 14th resolution, and therefore invites you to vote in favour of this resolution and to abstain from voting on the 12th, 13th and 15th resolutions.*

SIXTEENTH RESOLUTION

(Authorisation for the Company to buy back company shares: maximum purchase price EUR75)

The Shareholders' Meeting, acting with the quorum and majority requirements for Ordinary Meeting, having heard the report of the Management Board authorises the Management Board, in accordance with article L.225-209 of the French Commercial Code, to buy back Company shares in order to reduce the capital, cover plans for stock options or plans for stock grants, or for securities convertible into shares; to carry out external growth transactions or to stimulate the market for Company shares under a liquidity agreement.

- The maximum number of shares that may be acquired pursuant to this authorisation shall not exceed 10% of the issued share capital as of the date of this Shareholders' Meeting (e.g. 54,894,302 shares as of December 31, 2011).
- The maximum purchase price is set at EUR75. 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 options.
- As a result of the limits above, share buybacks may not exceed a maximum amount of EUR4,117,072,650.
- The shares may be acquired, disposed, exchanged or transferred at any time, except when there is a public offering on Schneider Electric SA securities, in compliance with current legislation. This may be done by any appropriate method on the market, over the counter, or by any means including through block acquisitions or disposals, the use of put or call options or the use of any derivative financial instrument.
- Shares acquired may also be cancelled, 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 adopted by the General Meeting of April 21, 2011.
- The Management Board may adjust the price(s) set above to take into account the effect of any of the following: (i) an issue of bonus shares or increase in the par value of existing shares paid up by capitalising reserves or earnings, (ii) a stock-split or reverse stock-split, or (iii) more generally, any transaction affecting equity, to account for the impact of such transactions on the share price. Said adjustment will be determined by multiplying the price by the ratio between the number of shares outstanding before and after the transaction.
- The Management Board shall have full authorisation to implement this resolution, directly or through a representative.
- This authorisation will expire at the end of a period of 18 months from the date of this Meeting.

Extraordinary Meeting

SEVENTEENTH RESOLUTION

(Capital increase reserved for a class of beneficiaries: for employees of non-French Group companies, either directly or through entities acting on their behalf)

The Shareholders' Meeting, acting with the quorum and majority requirements for Extraordinary Meetings, having considered the report of the Management Board and the special report of the Statutory Auditors, pursuant to articles L.225-129-2 and L.225-138 of the French Commercial Code:

1. delegates to the Management Board, with authority to delegate the powers necessary to effect the increase in one or more stages, at the times it shall set and in the proportions it shall determine, the share capital, within the limits of a maximum of 1% of capital at the date of this Shareholders' Meeting, by issuing shares or securities granting access to Company capital that confer the same rights as existing shares, and such issue will be reserved for persons who meet the requirements of the category defined below, with the understanding that (i) the ceiling of 1% of capital set above will be applied to the

2% ceiling set in the twenty-second resolution adopted by the Shareholders' Meeting of April 21, 2011, but is instead autonomous and separate from the ceilings in the fourteenth and sixteenth resolutions adopted by Shareholders' Meeting of April 21, 2011, (ii) that this resolution cannot be used until August 1, 2012;

2. decides to waive the pre-emptive subscription rights of shareholders to the shares or other securities granting access to capital issued pursuant to this resolution and to reserve the right to subscribe to one and/or the other class of beneficiaries who meet the following characteristics: (i) employees and corporate officers of Schneider Electric Group companies related to the Company under the conditions of article L.225-180 of the French Commercial Code and article L.3344-1 of the French Labour Code that have their headquarters outside France, (ii) and/or mutual funds or other entities, whether or not they have legal personality, employee shareholdings invested in securities of a company whose unitholders or shareholders are the persons mentioned in (i) of this paragraph; (iii) and/or any banking institution or subsidiary of such an institution acting at the request of the Company for the purposes of implementation

of an employee shareholding or savings plan for the benefit of the persons mentioned in (i) of this subsection insofar as the use of subscription of the person authorised under this resolution would allow employees of subsidiaries located abroad to benefit from share ownership or equivalent employee savings plans in terms of economic benefit to those enjoyed by other employees of the Group;

3. decides that the unit price of the shares to be issued pursuant to this resolution shall be fixed by the Management Board on the basis of the share price of the Company on the NYSE Euronext regulated market in Paris; the issue price will be determined at the discretion of the Management Board on the basis of either (i) the first or last trading price of the shares of the Company during the trading session the day of the decision of the Management Board fixing the issue price or (ii) the average opening or closing prices of the shares of the Company during the 20 trading days preceding the date of the decision of the Management Board fixing the issue price under this resolution or fixing the issue price under the twenty-second resolution adopted by the Shareholders' Meeting on April 21, 2011; the Management Board may fix the issue price by applying a maximum discount of 20% to the share price of the Company shares determined by either of the methods described in (i) and (ii) of this paragraph, the percentage of this discount applied to the share price of the Company will be determined by the relevant Management Board, including legal, regulatory and tax provisions of foreign law applicable, as the case may be, to any persons who are beneficiaries of the issue;
4. decides that the Management Board shall have all powers, under the conditions provided by law and within the limits set above, to implement this delegation and determine the list of beneficiaries within the categories established by this resolution

and the number of securities to be offered to each of them, provided that the Management Board may decide that the capital increase will be realised for the amounts subscribed, provided that at least 75% of the shares or other securities granting access to capital offered have been subscribed, and in particular:

- define the characteristics of the securities to be issued, setting the issue price, dates, times, terms and conditions of subscription, payment, delivery and possession of shares and securities, within legal or regulatory limits,
 - note the capital increase, issue shares and other securities granting access to capital, amend the corresponding bylaws,
 - and, more generally, enter into any agreement, in particular for achieving the successful completion of the proposed issues, take any measures and carry out all formalities for the issue, trading and servicing of the securities issued by virtue of this delegation and the exercise of the rights attached thereto, and generally do whatever is necessary;
5. decides that this delegation shall nullify as of July 31, 2012 the authorisation given by the Shareholders' Meeting of April 21, 2011 in its twenty-third resolution for its amounts not used by the Management Board.

The delegation conferred by this resolution shall be valid for a period of 18 months from this Shareholders' Meeting.

EIGHTEENTH RESOLUTION (Powers for formalities)

The Shareholders' Meeting gives full powers to the bearer of a copy or excerpts of the minutes stating these resolutions to accomplish all legal and administrative formalities.

Persons responsible for the Registration Document

> Persons responsible for the Registration Document

Attestation

I hereby 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 hereby 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.

The report on the consolidated financial statements for the period ended 31 December 2010 contains an observation referring to the presentation of the consolidated financial statements and the new applicable accounting standards.

Executed on 22 March 2012

On behalf of the Management Board

Jean-Pascal Tricoire

President and CEO Schneider Electric SA

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 6 of the registration document for the ended December 31, 2009, registered with *Autorité des Marchés Financiers* (AMF) under number D10-0125 on March 19, 2010,
- the consolidated financial statements and corresponding Auditors' Reports provided in Chapter 5 of the registration document for the ended Thursday, December 31, 2010, registered with *Autorité des Marchés Financiers* (AMF) under number D11-0151 on March 21, 2011,
- the annual company financial statements and corresponding Auditors' Reports provided in Chapter 7 of the registration document for the ended December 31, 2009, registered with *Autorité des Marchés Financiers* (AMF) under number D10-0125 on March 19, 2010,
- the annual company financial statements and corresponding Auditors' Reports provided in Chapter 6 of the registration document for the ended Thursday, December 31, 2010, registered with *Autorité des Marchés Financiers* (AMF) under number D11-0151 on March 21, 2011,
- the business review provided in Chapter 4 of the registration document for the ended December 31, 2009, registered with *Autorité des Marchés Financiers* (AMF) under number D10-0125 on March 19, 2010,
- the business review provided in Chapter 4 of the registration document for the ended Thursday, December 31, 2010, registered with *Autorité des Marchés Financiers* (AMF) under number D11-0151 on March 21, 2011.

Passages not incorporated in this document are either irrelevant for the investor or covered in another section of the registration document.

> Persons responsible for the audit of the financial statements

	Date appointed	Appointment expires
Statutory Auditors		
Ernst & Young et Autres Tour First-1, place des Saisons - 92037 Paris-la-Défense-Cedex Represented by Yvon Salaün	1992	2016
Mazars Tour Exaltis - 61, rue Henri-Regnault - 92400 Courbevoie Represented by David Chaudat	2004	2016
Alternate Auditors		
Auditex	2010	2016
Thierry Blanchetier	2010	2016

Ernst & Young et Autres and Mazars are members of the Auditor's Regional Company of Versailles.

Financial Calendar

Investors relations

May 3, 2012	Shareholders' Annual Meeting (Paris)
May 16, 2012	Dividend payment

Financial releases

February 22, 2012	2011 Annual Results
April 20, 2012	Q1 2012 Sales
August 1, 2012	Half Year Results
October 25, 2012	Q3 2012 Sales

Investors Relations:

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Incorporated in France,

governed by a Management Board

and Supervisory Board,

with issued capital of EUR2,195,772,096

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