2011 Communication On Progress

About this document

All members of the Global Compact are required to issue an annual Communication on Progress (COP), a public disclosure to stakeholders on progress made in implementing the ten principles of the UN Global Compact, and in supporting broad UN development goals.

This document is Schneider Electric's COP 2011. We invite all our stakeholders (employees, clients, suppliers, investors, civil society, governments, local communities…), to read it and learn more about our commitment in favour of human rights, labour rights, environmental stewardship and anti-corruption.

In 2011, Schneider Electric is reporting according to the "Advanced Level" and describes how it meets the 24 criteria of the Level. The goal of the Advanced Level is to create a higher standard for corporate sustainability performance and disclosure, giving recognition to companies who – through their Communication on Progress (COP) – demonstrate that they have adopted and report on a range of sustainability governance and management process, many of them based on the "Global Compact Blueprint for Corporate Sustainability Leadership" and the "Global Compact Management Model".

From 2011 on, Schneider Electric decided to actively shares its COP with its stakeholders: the COP is published on the Intranet so that the employees get to know it and on Schneider Electric website to share it with its suppliers, customers, shareholders and other stakeholders.

In order to make the information clearer to stakeholders, Schneider Electric presents its 2011 COP with references to the 2010 Annual Report, which includes a chapter dedicated to Sustainable Development strategy, actions and outcomes.

Finally, the publication of the COP is aligned with the sustainability reporting schedule, as the Annual Report is published in March-April and the COP posted on the UN Global Compact website by end of May.

As specified in the COP policy, we introduce the document with a statement of continued support, which is signed by our CEO, Jean-Pascal Tricoire.

Statement of continued support

"Schneider Electric has endorsed the Global Compact Principles since 2003 – to officially state its commitment regarding human rights, working conditions, environment and corruption.

Since 2005, Schneider Electric has released a "Communication On Progress" once a year. In 2011, we decided to apply for the Advanced Level and describe how we respond to its 24 criteria, reflecting best practices in implementation of the Global Compact.

We also reinforced our commitment to share Global Compact Principles with our suppliers:

- Since 2005, we have been aiming at making 60% of total purchases from suppliers who registered to the Global Compact. This target has been confirmed in our Planet & Society Barometer over the period 2009-2011. At the end of 2010, 42% of total purchases were made with suppliers who joined the Global Compact.
- Since 2010, we have drafted and disclosed to suppliers standardized documents to introduce the Global Compact and help convince them to join (External Communication Kit and Registration Letter).

Furthermore, I personally participated to the UN Global Compact Leaders Summit 2010 that took place in June 2010 in New York".

May 30, 2011

Jean-Pascal TRICOIRE, President & CEO.

I. Strategy, Governance and Engagement

The table below describes Schneider Electric's strategy, governance and engagement on corporate sustainability.

According to the Global Compact best practices, we identify three scopes of reporting and communication that are partially or not covered:

- Major sustainability risks and opportunities and overall strategy to manage sustainability impacts, risks and opportunities in the near to medium terms (criterion 1);
- List of stakeholder groups engaged by the organisation and the process for stakeholder identification and engagement (criterion 3);
- Process of incorporating stakeholder input into corporate strategy and business decision-making, and the outcome of stakeholder involvement (criterion 3).

The last two points are partially covered in our 2010 Annual Report and will be reinforced in our next communications. We are currently working on the first point, especially regarding risks and opportunities related to climate change.

Criterion 1: Strategic aspects of Global Compact implementation	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
Impact of broader sustainability trends on the long-term prospects and financial performance of the organisation	• "A concrete, innovative, human commitment" **p.46** • "Respect for the environment and for ethics, motors of economic performance" > "Overview" **p.54** > "Smart energy management products and solutions to help the fight against climate change" **p.55-58** • Examples of economic KPI tracked at Comex level: > "7 points above Schneider Electric's organic growth gained every year by our energy efficiency activities" > "1,000,000 households at the Base of the Pyramid have access to energy thanks to Schneider Electric solutions" This strategy affects medium to long-term prospects.
Social and environmental impact of the organisation's activities	• "Schneider Electric's Commitment to Environmental Performance" **p.62-71** • "Committed to and on behalf of employees" **p.72-79** • "Schneider Electric, a responsible corporate citizen" **p.80-87**
Key performance indicators to measure progress	• "The Planet and Society Barometer" **p.47** • "Planet & Society Barometer, a regular and objective measure of the Group's actions" **p.51-52**
Major successes and failures during the reporting period	• "The main factors contributing to the 2010 performance are shown below: […]" **p.52** • Majors successes and failures related to the reported 13 results of the Planet and Society Barometer are detailed in the different chapters: > "Planet" KPI: **p.64-65** for indicator 1, **68-70** for indicator 2 and **70** for indicator 3; > "Profit" KPI: **p.56** for indicator 4, **58** for indicator 5, **80** for indicator 6, **59** for indicator 7, and **61** for indicator 8; > "Society" KPI: **p.74** for indicator 9, **75** for indicator 10 and **76** for indicator 11, **83** for indicator 12 and **87** for indicator 13.

Criterion 2: Decision-making processes and systems of governance for corporate sustainability	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
Involvement and accountability of management (C-suite) in corporate sustainability strategy and implementation in line with Global Compact principles	• The overall score of the Planet & Society Barometer is one of the KPI of the company program, which commits Executive Committee members. • "Since 2010, the three members of the Executive Committee in charge of global Human Resources, of Industrial Operations and of Strategy and Innovation, meet every quarter with the Sustainable Development Director to monitor and steer the Group's action plans in this area" **p.49** • "Sustainable development is still supervised by the Executive Vice President for Strategy & Innovation and discussed in quarterly meetings with two other Executive Committee members, the Executive Vice President for Global Supply Chain and the Executive Vice President for Global Human Resources, so that all the Group's sustainable development issues are covered" **p.47** • Two committees related to Global Compact principles involve C-suit management: > The Sustainable Development Strategy Committee, created in 2008 and chaired by the Senior Vice President of Sustainable Development; > The Ethics Council, created in June 2009 and chaired by the Executive Vice President Strategy & Innovation.
Corporate governance structure and its role in oversight of corporate sustainability implementation in line with Global Compact principles	• "Supervisory Board" **p.106-112** • "After James Ross, Cathy Kopp joined the Supervisory Board to focus on sustainable development" **p.47**
Evaluation and executive incentive structures promoting sustainability strategy in line with Global Compact principles	• "Sustainable development was added to all Executive Committee members' bonus criteria for 2011" **p.47** • "Energy Action program" ("energy champions") **p.66** • "A Network of Employees Around the World: The delegates" **p.84**
Criterion 3 : Stakeholder engagement	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
List of stakeholder groups engaged by the organisation	• "A commitment to action" **p.46** • "Our internal basis of preparation: the Responsibility & Ethical Dynamics (R&ED) program and Our Principles of Responsibility" **p.48** • "Indicators - Dialogue and social relations" **p.102**
Process for stakeholder identification and engagement	• "A commitment to action" **p.46** • "Reward" **p.78** • "Committed to and on behalf of employees" > "Overview" **p.72** • Employee commitment **p 75** • "Social dialogue and relations" **p.79** • People who "do not have access to electricity" **p.80** • "Who is a person at the Base of the Pyramid?" **p.81** • "The Schneider Electric Foundation" > "Field of intervention" **p.85-86**
Process of incorporating stakeholder input into corporate strategy and business decision-making	• "Customer satisfaction is one of the two "fundamentals" of the company programme **p.19** • Innovation & R&D: **p 29 to 33** • "The Schneider Electric corporate mutual fund" ("voting rights") **p.252** • Dialogue with stakeholders (investors, agencies, international organisations, suppliers, customers, employees, etc.) held all along the year by the Sustainable Development Department are taken into account when drafting the Annual Report.

II. UN Goals and Issues

The table below describes Schneider Electric's actions taken in support of broader UN goals and issues such as the respect of the environment, local economic development and philanthropic contributions.

Criterion 4: Actions taken in support of broader UN goals and issues	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
Adoption or modification of business strategy and operating procedures to maximize contribution to UN goals and issues	• "Respect for the environment and for ethics, motors of economic performance" > "Overview" **p.54** • "The BipBop energy access program" > "Schneider Electric Approach" **p.80-81**
Development of products, services and business models that contribute to UN goals and issues	• "Respect for the environment and for ethics, motors of economic performance" > "Smart energy management products and solutions to help the fight against climate change" **p.55-58** • "Eco-design**" p.68-70** • "Offers and economic models for the base of the pyramid (Innovation)" **p.83**
Social investments and philanthropic contributions that tie in with the organisation's core competencies, operating context and sustainability strategy	• "The BipBop energy access program" > "Sustainable investment (Business)" **p.81-82** > "Training (People)" **p.83-84** • "The Schneider Electric Foundation" > "Approach" **p.84** ("training and employment opportunities for young people from the BoP trained *primarily in the electrical profession*") > "Field of intervention" and "Main achievements in 2010" **p.85-86**
Public advocacy on the importance of one or more UN goals and issues	• "List of the Group's primary sustainable development commitments" **p.52** • Significant events 2010 **p.53** ("Participation in the G20 Seoul summit": "On the topic of green growth, Jean-Pascal Tricoire was the working group's reporter on energy efficiency"). Jean-Pascal Tricoire also participated to the Global Compact summit that took place in June 2010, New York.
Partnership projects and collective actions in support of UN goals and issues	• "Innovation, partnerships and major contracts" **p.12** • "Partnerships in energy efficiency programs" **p.31** • "Sustainable development projects" **p.32** • "Impact on regional development and civil society relations" **p.87**

III. Human Rights Implementation

Human rights and labour right are closely related. The description below reflects Schneider Electric's approach on the following areas of human rights: right to decent standard of living (access to electricity for people at the Base of the Pyramid, Schneider Electric Foundation, initiatives for local economic development), right to health (health and safety policy), right to education and training, right to family life (parenthood charter).
The next chapter, dealing with labour rights, describes Schneider Electric freedom of association, workforce and non-discrimination.

The two Global Compact principles on human rights are included:
▪ **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights
▪ **Principle 2:** …and make sure that they are not complicit in human rights abuses.
For Principle 2, please see practices refering to supply chain and relations with subcontractors and suppliers in the table below. The other practices refer to Principle 1.

According to the best practices, we identify one non-covered scope: Risk and impact assessments in the area of human rights (and outcomes related), as Schneider Electric does not publish any list of risks

identified on human rights issues. Risks are not the driving force behind Schneider Electric's commitment to human rights.

Please note that responses may be similar from one Global Compact area to another:
- The document called "Our Principles of Responsibility" and Schneider Electric's Responsibility & Ethical Dynamics (R&ED) programme cover all ethical issues, among others human rights, labour rights, anti-corruption as well as the environment; they are thus mentioned in various chapters.
- Along the same line, our relations with subcontractors and suppliers cover all Global Compact areas and our "One Voice" employee survey, run every quarter, aims at reporting employees' satisfaction and points of concerns. These regular consultations with stakeholders thus cover human rights, labour rights and anti-corruption, as well as the environment in the case of relations with subcontractors and suppliers.
- Management systems, as well as monitoring and evaluation mechanisms are the same for human rights, labour rights, anti-corruption and the environment. Additional mechanisms are in place as for the environment.

In all chapters, the item "Specific commitments and goals for specified years" describes our main actions and objectives in the area. For our quantitative goals, see item "Standardized performance indicators (including GRI)".

For more information on criteria related to "Standardized performance indicators (including GRI)", in each Global Compact area, you may also refer to our concordance table with the Global Reporting Initiative available on pages 92-93 of our Annual Report.

Criterion 5: Commitments, strategies and policies	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
Reference to relevant international conventions and other international instruments	• "Our Principles of Responsibility were prepared in compliance with the 10 principles of the Global Compact, the corporate governance principles, the universal declaration on the rights of man and the international labour regulations" **p.60** • "List of the Group's primary sustainable development commitments" **p.52**
Reflection on the relevance of human rights for the company	• "Our internal basis of preparation: the Responsibility & Ethical Dynamics (R&ED) program and Our Principles of Responsibility" **p.48-49** • "Committed to and on behalf of employees" > "Overview" **p.72** • "The BipBop energy access program" > "Schneider Electric Approach" **p.80** • "Impact on regional development and civil society relations" **p.87** (first paragraph of introduction) • "Relations with subcontractors and suppliers" **p.59**
Written company policy (code of conduct) on human rights	• "A common policy: Our Principles of Responsibility" **p.50** • "Global policies" > "Social issues" **p.51**
Allocation of responsibilities and accountability within the organisation	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" > "Dedicated teams and organisation" **p.50** • "Committed to and on behalf of employees" > "Organisation" **p.73**
Specific commitments and goals for specified years, *Practical actions*	• "Employee health and safety" **p.74+p.102** • "Employee commitment" **p.75** • "Fostering talent and competence" **p.75-76+p.103** • "The BipBop energy access program" **p.80-84** • "The Schneider Electric Foundation" **p.84-86+p.104** • "Impact on regional development and civil society relations" **p.87**

Criterion 6: Management systems

Global Compact best practices	Reference to Schneider Electric's 2010 Annual Report or direct response
Regular stakeholder consultations in the area of human rights	• "Employee commitment" > "Internally" **p.75** • "Relations with subcontractors and suppliers" **p.59**
Internal awareness-raising and training on human rights for management and employees	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" **p.50** > "Three tools accessible to all employees - Online e-learning module" > "Measuring roll-out and effectiveness" > "Outlook for 2011" • "Number of training hours on: Health, safety, environment" **p.103**
Grievance mechanisms, communication channels and other procedures (whistleblower mechanisms) for reporting concerns or seeking advice	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" > "Adapted processes" > "Three tools accessible to all employees" **p.50**
Inclusion of minimum human rights standards in contracts with suppliers and other relevant business partners	• "Relations with subcontractors and suppliers" **p.59**
Audits or other steps to monitor and improve the human rights performance of companies in the supply chain	• "Methodology elements on the published indicators" **p.88** > Schneider Electric methodology and management to monitor and improve sustainability performance > External audit of Ernst & Young • "Relations with subcontractors and suppliers" > "Additional Assessment of Suppliers" **p.59**

Criterion 7: Monitoring and evaluation mechanisms

Global Compact best practices	Reference to Schneider Electric's 2010 Annual Report or direct response
System to track and measure performance based on standardized performance metrics	• "Methodology elements on the published indicators" **p.88** > Schneider Electric frames of reference, tools and definitions to measure sustainability performance • See **p.90** specific paragraphs on the Planet & Society Barometer's KPI related to human rights: > "1,000,000 households at the Base of the Pyramid have access to energy thanks to Schneider Electric solutions" > "60% of our purchases from suppliers who support the Global Compact" > "4 major ethical stock indexes select Schneider Electric" > "14 points increase in the Company's employee recommendation score" > "2,000 employees trained on energy management solutions" > "10,000 young people at the Base of the Pyramid trained in the energy management professions" > "500 new entrepreneurs from the Base of the Pyramid start their own business in the area of energy management"
Leadership review of monitoring and improvement results	• "An organisation structured through networks" **p.49**, especially: > "Since 2010, the three members of the Executive Committee in charge of global Human Resources, of Industrial Operations and of Strategy and Innovation, meet every quarter with the sustainable Development Director to monitor and steer the Group's action plans in this area" > "The Sustainable Development Department has the responsibility of conceiving and steering innovative societal and environmental projects to ensure continuing improvements in the Group's performance in this area" > "Specific committees"

Process to deal with incidents	• Organisation in charge of dealing with incidents within the Responsibility & Ethical Dynamics (R&ED) program: "A Compliance Committee and a network of Compliance Officers. They are responsible for detecting and managing cases of noncompliance with the processes defined, in line with local laws and regulations and Our Principles of Responsibility" **p.50**
Disclosure of main incidents involving the company	• Schneider Electric publishes all major incidents in its Annual Report. No one in 2010 was reported regarding human rights: See "Disputes, claims, litigation and other risks" **p.42**

Criterion 8: Standardized performance indicators (including GRI)

Global Compact best practices	Reference to Schneider Electric's 2010 Annual Report or direct response
Outcomes of internal awareness-raising and training efforts	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" **p.50** > "Three tools accessible to all employees - Online e-learning module" > "Measuring roll-out and effectiveness" • "Number of training hours on: Health, safety, environment" **p.103**
Outcomes mechanisms for reporting concerns or seeking advice	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" **p.50** > "Three tools accessible to all employees - Online e-learning module" > "Measuring roll-out and effectiveness"
Percentage of contracts with business partners guaranteeing minimum human rights standards	• Planet & Society Barometer KPI: "Realise 60% of our purchases from suppliers who support the Global Compact" **p.54**
Outcomes on health and safety of employees	• Planet & Society Barometer KPI: "10% annual decrease in the frequency rate of occupational accidents" **p.72** • Other indicators: **p.102**
Outcomes on Employee Commitment	• Planet & Society Barometer KPI: "14 points increase in the company's employee recommendation score" **p.72**
Outcomes on talent development and training	• Planet & Society Barometer KPI: "2,000 employees trained on energy management solutions" **p.72** • Other indicators: **p.103**
Outcomes on the BipBop energy access program and the impact on regional development and civil society relations	• Planet & Society Barometer KPI: > "1,000,000 households at the Base of the Pyramid have access to energy thanks to Schneider Electric solutions" **p.54** > "10,000 young people at the Base of the Pyramid trained in the energy management professions" **p.81** > "500 new entrepreneurs at the Base of the Pyramid set up their activities in the energy management field" **p.81**
Outcomes on Schneider Electric Foundation	• The Foundation contributes to the KPI "10,000 young people at the Base of the Pyramid trained in the energy management professions" • Other indicators: **p.104**
Rewards, labels and certifications	• "Schneider Electric rewarded by the *Observatoire français de l'innovation*" **p.84** • See also Business and Sustainable Development report **p.19**: "Awards and recognition"

IV. Labour rights implementation

As said before, this chapter describes Schneider Electric freedom of association, workforce and non-discrimination: employee share ownership, social dialogue and relations, headcount (by type of contract, geographical zone and country, gender, professional category, age, seniority, function), hiring, layoffs and resignations, equal employment opportunity (disability, diversity of gender, generation and origin).

The four Global Compact principles on labour rights are included:
- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,
- **Principle 4:** …the elimination of all forms of forced and compulsory labour,
- **Principle 5:** …the effective abolition of child labour
- **Principle 6:** …and the elimination of discrimination in respect of employment and occupation.

When needed, specific references are made to freedom of association, forced labour, child labour and diversity are made in the table below.

As for human rights implementation, the following best practice is not covered: Risk and impact assessments in the area of labour (and outcomes related).

Criterion 9: Commitments, strategies and policies	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
Reference to relevant international conventions and other international instruments	• "Our Principles of Responsibility were prepared in compliance with the 10 principles of the Global Compact, the corporate governance principles, the universal declaration on the rights of man and the international labor regulations" **p.60** • "List of the Group's primary sustainable development commitments" **p.52**
Reflection on the relevance of the labour principles for the company	• "Our internal basis of preparation: the Responsibility & Ethical Dynamics (R&ED) program and Our Principles of Responsibility" **p.48-49** • "Committed to and on behalf of employees" > "Overview" **p.72** • "Relations with subcontractors and suppliers" **p.59**
Written company policy (code of conduct) on labour	• "A common policy: Our Principles of Responsibility" **p.50** • "Global policies" > "Social issues" **p.51** • Agreements and charters on diversity: "Diversity" **p.77**
Allocation of responsibilities and accountability within the organisation	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" > "Dedicated teams and organisation" **p.50** • "Committed to and on behalf of employees" > "Organisation" **p.73**
Specific commitments and goals for specified years, *Practical actions*	• "Employee share ownership" **p.78** • "Social dialogue and relations" **p.79+p.102** • Workforce indicators **p.99-102** (regarding child labour "Breakdown of workforce by age"): 2 employees are under 16 (aged 15), one in Germany and the other in Brazil. They are on professional training. • Forced labour is tracked through Our Principles of Responsibilities and R&ED Program • "Diversity" **p.76-78**

Criterion 10: Management systems

Global Compact best practices	Reference to Schneider Electric's 2010 Annual Report or direct response
Regular stakeholder consultations in the area of labour	• "Employee commitment" > "Internally" **p.75** • "Relations with subcontractors and suppliers" **p.59**
Internal awareness-raising and training on the labour principles for management and employees	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" **p.50** > "Three tools accessible to all employees - Online e-learning module" > "Measuring roll-out and effectiveness" > "Outlook for 2011" • "Number of training hours on: Management and leadership" **p.103**
Grievance mechanisms, communication channels and other procedures (whistleblower mechanisms) for reporting concerns or seeking advice	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" > "Adapted processes" > "Three tools accessible to all employees" **p.50**
Inclusion of minimum labour standards in contracts with suppliers and other relevant business partners	• "Relations with subcontractors and suppliers" **p.59**
Audits or other steps to monitor and improve the labour performance of companies in the supply chain	• "Methodology elements on the published indicators" **p.88** > Schneider Electric methodology and management to monitor and improve sustainability performance > External audit of Ernst & Young • "Relations with subcontractors and suppliers" > "Additional Assessment of Suppliers" **p.59**

Criterion 11: Monitoring and evaluation mechanisms

Global Compact best practices	Reference to Schneider Electric's 2010 Annual Report or direct response
System to track and measure performance based on standardized performance metrics	• "Methodology elements on the published indicators" **p.88** > Schneider Electric frames of reference, tools and definitions to measure sustainability performance (see especially information on Workforce data) • See specific paragraph on "60% of our purchases from suppliers who support the Global Compact" and "4 major ethical stock indexes select Schneider Electric" **p.90**
Leadership review of monitoring and improvement results	• "An organisation structured through networks" **p.49**, especially: > "Since 2010, the three members of the Executive Committee in charge of global Human Resources, of Industrial Operations and of Strategy and Innovation, meet every quarter with the sustainable Development Director to monitor and steer the Group's action plans in this area" > "The Sustainable Development Department has the responsibility of conceiving and steering innovative societal and environmental projects to ensure continuing improvements in the Group's performance in this area" > "Specific committees"
Process to deal with incidents	• Organisation in charge of dealing with incidents within the Responsibility & Ethical Dynamics (R&ED) program: "A Compliance Committee and a network of Compliance Officers. They are responsible for detecting and managing cases of noncompliance with the processes defined, in line with local laws and regulations and Our Principles of Responsibility" **p.50**
Disclosure of main incidents involving the company	• Schneider Electric publishes all major incidents in its Annual Report. No one in 2010 was reported regarding labour rights: See "Disputes, claims, litigation and other risks" **p.42**

Criterion 12: Standardized performance indicators (including GRI)

Global Compact best practices	Reference to Schneider Electric's 2010 Annual Report or direct response
Outcomes of internal awareness-raising and training efforts	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" **p.50** > "Three tools accessible to all employees - Online e-learning module" > "Measuring roll-out and effectiveness" • "Number of training hours on: Management and leadership" **p.103**
Outcomes mechanisms for reporting concerns or seeking advice	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" **p.50** > "Three tools accessible to all employees - Online e-learning module" > "Measuring roll-out and effectiveness"
Percentage of contracts with business partners guaranteeing minimum labour standards	• Planet & Society Barometer KPI **p.54**: "Realise 60% of our purchases from suppliers who support the Global Compact"
Outcomes on employee share ownership	• "Employee share ownership" **p.78**
Outcomes on social dialogue and relations	• Indicators **p.102**
Outcomes on workforce and diversity	• Indicators **p.99-102** > especially "Breakdown of workforce by age" regarding child labour: 2 employees under 16 (aged 15), on professional training. > "Breakdown of workforce by gender" regarding gender diversity > "Breakdown of personnel by geographic area" > "Breakdown of workforce by gender and by category" • "Diversity" **p.76-78** > "Main action plans for 2010" **p.77-78**
Rewards, labels and certifications	• "Equality Label (since 2007 and renewed in 2010)" **p.77** • "Reward" on communicating with employee shareholders **p.78** • See also Business and Sustainable Development report **p.19**: "Awards and recognition"

V. Environmental stewardship implementation

This chapter describes Schneider Electric environmental strategy, actions and outcomes.

The three Global Compact principles on environment are included:
- **Principle 7:** Businesses are asked to support a precautionary approach to environmental challenges,
- **Principle 8:** …undertake initiatives to promote greater environmental responsibility,
- **Principle 9:** …encourage the development and diffusion of environmentally friendly technologies.

For principle 7, please see best practices such as the followings: "Reference to relevant international conventions and other international instruments", "Reflection on the relevance of environmental stewardship for the company", "Written company policy on environmental stewardship" and "Environmental risk and impact assessments".

For principles 8 and 9, please see in particular: "Specific commitments and goals for specified years, Practical actions", "Regular stakeholder consultations on environmental impact", "Internal awareness-raising and training on environmental stewardship for management and employees" and "Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners".

Criterion 13: Commitments, strategies and policies	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
Reference to relevant international conventions and other international instruments	• "List of the Group's primary sustainable development commitments" **p.52** • "Schneider Electric Challenges and Commitments" (ISO 14001 objective) **p.62** • "Schneider Electric CDLI and CPLI Score in 2010" **p.64-65** • "REACH directive" and "RoHS directive**" p.68-69**
Reflection on the relevance of environmental stewardship for the company	• "Respect for the environment and for ethics, motors of economic performance" > "Overview" **p.54** • "Schneider Electric's Commitment to Environmental Performance" > "Overview" **p. 62**
Written company policy on environmental stewardship	• "Global policies" > "Environmental issues" **p.51**
Allocation of responsibilities and accountability within the organisation	• "Schneider Electric's Commitment to Environmental Performance" > "Organisation" **p.62-63**
Specific commitments and goals for specified years, *Practical actions*	• "Reduction of CO2 Emissions" > "Main Plans of Action in 2010" **p.65** > "Schneider Electric's Approach" **p.64-65** (to understand the context) • "Energy Savings" > "Main Plans of Action in 2010" **p.66-67** > "Schneider Electric's Approach" **p.66** (for context) • "Eco-Design" > "Main Plans of Action in 2010" **p.68-70** > "Schneider Electric's Approach" **p.68** (context) • "Eco-Production" > "Main Plans of Action in 2010" **p.70-71** > "Schneider Electric's Approach" **p.70** (context) You can also refer to our offers related to energy efficiency in the chapter "Respect for the environment and for ethics, motors of economic performance", **pages 54 to 58**.

Criterion 14: Management systems	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
Environmental risk and impact assessments	• "Industrial and environmental risks" **p.39** • "Environmental risk management and prevention" **p.71** • "In 2010 Schneider Electric conducted its annual review of pollution risks at all manufacturing sites as part of ISO 14001 tracking" **p.71** • "Systematic risk analysis started on all European sites" **p.64** • "Environmental Impact and Management Explorer (EIME) software" to assess environmental risks and manage opportunities **p.70** • Environmental risks are included in our "Internal control and risk management" (**p.130-136**) > see especially "Risk identification and management" **p.134**: "General risks at the Group level", "Operating risks at the unit level" and "Risk management by the Safety Department"
Regular stakeholder consultations on environmental impact	• "Relations with subcontractors and suppliers" **p.59**
Internal awareness-raising and training on environmental stewardship for management and employees	• "Environmental risk management and prevention" **p.71** (especially end of paragraph) • "Number of training hours on: Health, safety, environment" **p.103**
Grievance mechanisms, communication channels and other procedures (whistleblower mechanisms) for reporting concerns or seeking advice regarding environmental impacts	• "Schneider Electric's Commitment to Environmental Performance" > "Organisation" **p.62-63** • All employees can report concerns about local environmental issues through R&ED programme : "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" > "Adapted processes" > "Three tools accessible to all employees" **p.50**
Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners	• "Relations with subcontractors and suppliers" **p.59**
Audits or other steps to monitor and improve the environmental performance of companies in the supply chain	• "Methodology elements on the published indicators" **p.88** > Schneider Electric methodology and management to monitor and improve sustainability performance > External audit of Ernst & Young • Environmental risks are included in our "Internal control and risk management" (**p.130-136**) > see especially "Control procedures" **p.135-136** • "Relations with subcontractors and suppliers" > "Additional Assessment of Suppliers" **p.59**

Criterion 15: Monitoring and evaluation mechanisms	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
System to track and measure performance based on standardized performance metrics	• "Methodology elements on the published indicators" **p.88-90** > Schneider Electric frames of reference, tools and definitions to measure sustainability performance • See **p.89-90** specific paragraphs on the Planet & Society Barometer's KPI related to the environment: > "30,000 T annual reduction of our C02 equivalent emissions" > "2/3 of our products revenues achieved with Green Premium products" > "2/3 of our employees work on ISO 14001 certified sites" > "Exceeding the Group's growth by 7 points per year with our energy efficiency activities" > "Implement a recovery process for SF6 gas in 10 countries" > "60% of our purchases from suppliers who support the Global Compact" > "4 major ethical stock indexes select Schneider Electric"
Leadership review of monitoring and improvement results	• "An organisation structured through networks" **p.49**, especially: > "Since 2010, the three members of the Executive Committee in charge of global Human Resources, of Industrial Operations and of Strategy and Innovation, meet every quarter with the sustainable Development Director to monitor and steer the Group's action plans in this area" > "The Sustainable Development Department has the responsibility of conceiving and steering innovative societal and environmental projects to ensure continuing improvements in the Group's performance in this area" > "Specific committees" • Leadership review is included in our organisation on environmental issues: "Schneider Electric's Commitment to Environmental Performance" > "Organisation" **p.62-63**
Process to deal with incidents	• Our process to deal with incidents is part of our ISO 14001 management: "Environmental risk management and prevention" **p.71** • See also business continuity plans and crisis management: "Risk management by the Safety Department" **p.134**
Disclosure of main incidents involving the company	• Schneider Electric publishes all major incidents in its Annual Report. No one in 2010 was reported regarding the environment: See "Disputes, claims, litigation and other risks" **p.42** • "In 2010 Schneider Electric conducted its annual review of pollution risks at all manufacturing sites as part of ISO 14001 tracking. No major incident was reported in 2010" **p.71**

Criterion 16: Standardized performance indicators (including GRI)

Global Compact best practices	Reference to Schneider Electric's 2010 Annual Report or direct response
Outcomes of risk and impact assessments and measurements of environmental footprint	• "Environmental indicators" **p.97-98** • Planet & Society Barometer's KPI: > "30,000 T annual reduction of our C02 equivalent emissions" **p.62** > "2/3 of our products revenues achieved with Green Premium products" **p.62** > "2/3 of our employees work on ISO 14001 certified sites" **p.62** > "Exceeding the Group's growth by 7 points per year with our energy efficiency activities" **p.54** > "Implement a recovery process for SF6 gas in 10 countries" **p.54** > "60% of our purchases from suppliers who support the Global Compact" **p.54** > "4 major ethical stock indexes select Schneider Electric" **p.54** These indicators cover all practical actions listed above (in item "Specific commitments and goals for specified years, Practical actions): > "Reduction of CO2 Emissions" > "Energy Savings" > "Eco-Design" > "Eco-Production" > "Offers related to energy efficiency"
Outcomes of internal awareness-raising and training efforts	• "Number of training hours on: Health, safety, environment" **p.103**
Outcomes mechanisms for reporting concerns or seeking advice	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" **p.50** > "Three tools accessible to all employees - Online e-learning module" > "Measuring roll-out and effectiveness"
Percentage of contracts with business partners guaranteeing minimum environmental standards	• Planet & Society Barometer KPI: "Realise 60% of our purchases from suppliers who support the Global Compact" **p.54**
Rewards, labels and certifications	• "On September 22, 2010 Schneider Electric's head office became the first building in France to obtain NF EN 16001 certification thanks to the Group's energy efficiency solutions. The building is also certified to ISO 14001 and HQE Exploitation green building standards" **p.14** • "ISO 14001 certification of Group sites" **p.70** • See also Business and Sustainable Development report **p.19**: "Awards and recognition"

VI. Anti-corruption implementation

This chapter describes Schneider Electric's approach and actions against corruption.

The Global Compact principle on anti-corruption is:

▪ **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

We identify the following scope of improvement for Schneider Electric: Risk and impact assessments in the area of anti-corruption (and outcomes related).

Criterion 13: Commitments, strategies and policies	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
Reference to relevant international conventions and other international instruments	• Our Principles of Responsibility have been established in compliance with the main topics of the OECD (www.oecd.org/maintopic) which include Bribery and corruption (**p.15** of Our Principles of Responsibility)
Reflection on the relevance of anti-corruption for the company	• "Our internal basis of preparation: the Responsibility & Ethical Dynamics* (R&ED) program and Our Principles of Responsibility" **p.48-49**
Written company policy on anti-corruption (code of conduct)	• "Our Principles of Responsibility: a common base for ethical and responsible practices" **p.60** • "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" **p.136**
Allocation of responsibilities and accountability within the organisation	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" > "Dedicated teams and organisation" **p.50**
Specific commitments and goals for specified years, *Practical actions*	• "The fight against corruption" > "Main plans of action in 2010" **p.60**
Criterion 14: Management systems	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
Regular stakeholder consultations in the area of anti-corruption	• "Employee commitment" > "Internally" **p.75** • "Relations with subcontractors and suppliers" **p.59**
Internal awareness-raising and training on anti-corruption efforts for management and employees	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" **p.50** > "Three tools accessible to all employees - Online e-learning module" > "Measuring roll-out and effectiveness" > "Outlook for 2011" • "Our Principles of Responsibility: a common base for ethical and responsible practices" > "Employees", "Shareholders" and "Suppliers" **p.60**
Grievance mechanisms, communication channels and other procedures (whistleblower mechanisms) for reporting concerns or seeking advice on corruption	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" > "Adapted processes" > "Three tools accessible to all employees" **p.50** • "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*" **p.136**
Inclusion of minimum anti-corruption standards in contracts with suppliers and other relevant business partners	• "Relations with subcontractors and suppliers" **p.59**

Audits or other steps to monitor corruption and improve the performance of companies in the supply chain	• "Methodology elements on the published indicators" **p.88** > Schneider Electric methodology and management to monitor and improve sustainability performance > External audit of Ernst & Young • "Relations with subcontractors and suppliers" > "Additional Assessment of Suppliers" **p.59**

Criterion 15: Monitoring and evaluation mechanisms

Global Compact best practices	Reference to Schneider Electric's 2010 Annual Report or direct response
System to track and measure performance based on standardized performance metrics	• "Methodology elements on the published indicators" **p.88** > Schneider Electric frames of reference, tools and definitions to measure sustainability performance • See specific paragraph on "60% of our purchases from suppliers who support the Global Compact" and "4 major ethical stock indexes select Schneider Electric" **p.90**
Leadership review of monitoring and improvement results	• "An organisation structured through networks" **p.49**
Process to deal with incidents	• Organisation in charge of dealing with incidents within the Responsibility & Ethical Dynamics (R&ED) program: "A Compliance Committee and a network of Compliance Officers. They are responsible for detecting and managing cases of noncompliance with the processes defined, in line with local laws and regulations and Our Principles of Responsibility" **p.50**
Disclosure of main incidents involving the company	• Schneider Electric publishes all major incidents in its Annual Report. No one in 2010 was reported regarding corruption: See "Disputes, claims, litigation and other risks" **p.42** • "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" **p.120**

Criterion 16: Standardized performance indicators (including GRI)

Global Compact best practices	Reference to Schneider Electric's 2010 Annual Report or direct response
Outcomes of internal awareness-raising and training efforts	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" **p.50** > "Three tools accessible to all employees - Online e-learning module" > "Measuring roll-out and effectiveness"
Outcomes mechanisms for reporting concerns or seeking advice	• "Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010" **p.50** > "Three tools accessible to all employees - Online e-learning module" > "Measuring roll-out and effectiveness"
Percentage of contracts with business partners guaranteeing minimum anti-corruption standards	• Planet & Society Barometer KPI **p.54**: "Realise 60% of our purchases from suppliers who support the Global Compact"
Rewards, labels and certifications	• See also Business and Sustainable Development report **p.19**: "Awards and recognition"

VII. Value Chain Implementation

The table below describes Schneider Electric's main actions to implement Global Compact principles in its value chain. These actions have also been described in chapters III to VI, in the best practices items regarding relations with suppliers and subcontractors.

According to the best practices, the following scopes are not covered:
- Description of raw materials and (semi-) finished products used, by country or region of origin
- Description of key suppliers, subcontractors and other business partners involved in the value chain
- Value risk assessment to identify potential issues with suppliers and other business partners
- Allocation of responsibility in the value chain and procedure to remedy any non-compliance issues

Criterion 21: Implementation of the Global Compact principles in the value chain	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
Policy on value chain, including a policy for suppliers and subcontractors	• "Relations with subcontractors and suppliers" > "Main action plans" **p.59**
Communication of relevant policies/codes, positions or concerns to suppliers and other business partners	• "Relations with subcontractors and suppliers" > "Publication of our commitment to sustainable purchases in the Supplier's Guide" **p.60** The guide book is available to all suppliers via an Extranet website entitled the "Supplier Area" and is downloadable on Schneider Electric's website.
Audits/screenings for compliance in the value chain	• "Relations with subcontractors and suppliers" **p.60**: > "Integration of the sustainable purchases approach into the selection of new suppliers" > "Required Commitment to the Global Compact by Subcontractors and Major Suppliers" > "Additional Assessment of Suppliers"
Assessment of health and safety impacts of products and services	• "Eco-Design" **p.68-70** • "Eco-Production" **p.70-71**

VIII. Transparency and Verification

In this area, we identify the following scopes of improvement for Schneider Electric:
- COP qualifies for Level A+ of the GRI application level: we qualified for level B of the GRI in 2010 and are currently studying how to implement more internal indicators in the Annual Report and apply for level A/A+.
- COP includes comparison of key performance indicators with peer companies.

Criterion 22: Company's profile and context of operation	
Global Compact best practices	**Reference to Schneider Electric's 2010 Annual Report or direct response**
Legal structure, including any group structure and ownership	• "General information" about the Company **p.244**
Countries where the organisation operates, with either major operations or operations that are specifically relevant to sustainability	• "Sales by geographical area" **p.9** • "Distributors account for more than 50% of the Group's total sales through an extensive network of 16,000 sales outlets in 190 countries all over the world" **p.26** • "The BipBop energy access program" > "The main areas targeted by BipBop are India, China, South Asia, Sub-Saharan Africa and South America" **p.81** • "Sustainable investment (Business)" > "Main action plans in 2010" **p.82** • "Offers and economic models for the base of the pyramid (Innovation)" > "Main achievements in 2010" **p.83** • "Training (People)" > "Main action plans in 2010" **p.83** • "The Schneider Electric Foundation" > "Field of intervention" **p.85** > "Main achievements in 2010" **p.86**

Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	• "Description of the Group, and its strategy, markets and businesses" > "Global specialist in energy management" **p.16-19** > "Leader in an industry of the future" **p.20-27**
Primary brands, products, and/or services	• "Description of the Group, and its strategy, markets and businesses" > "Enhancing the integrated solutions and services portfolio" **p.24-25**
Direct and indirect economic value generated for various stakeholders (employees, owners, governments, lenders, etc.)	• See our Strategy and Sustainable Development Report **p.72**: "Revenue breakdown"

Criterion 23: High standards of transparency and disclosure

Global Compact best practices	Reference to Schneider Electric's 2010 Annual Report or direct response
COP uses the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines	• "Concordance Table with the Global Reporting Initiative" **p.92-93**
COP qualifies for Level B or above of the GRI application levels	• "Statement GRI Application Level Check" **p.94**
COP includes comparison of key performance indicators for the previous 2-3 years	• "Indicators" **p.97-103** • "The Planet & Society Barometer" **p.47**

Criterion 24: Independently verified by a credible third party

Global Compact best practices	Reference to Schneider Electric's 2010 Annual Report or direct response
Independently verified against assurance standard	• "Statutory Auditors' Report": "Our review was carried out in accordance with the international standard ISAE 3000" **p.95**
Verified by independent auditors	• "Statutory Auditors' Report" **p.95**
Reviewed by peers	• The Audit Committee "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" **p.117** ("Registration Document" stands for Annual Report; the Audit Committee members are independent and work in peer companies)

About Schneider Electric's sustainable development policy
To learn more about our sustainable development commitment and performance, please refer to:
- Annual report: www.**schneider-electric.com/annualreport**
- Business and Sustainable Development report: **sdreport.schneider-electric.com**
- Our Principles of Responsibility: www.**schneider-electric.com** > Company > Sustainability and Foundation > Corporate Responsibilities
- The Planet & Society Barometer: www.**barometer.schneider-electric.com**
- Schneider Electric's website: www.**schneider-electric.com** > Company > Sustainability and Foundation

About Schneider Electric
As a global specialist in energy management with operations in more than 100 countries, Schneider Electric offers integrated solutions to make energy safe, reliable, efficient, productive and green across multiple market segments. The Group has leadership positions in energy and infrastructure, industrial processes, building automation, and data centres/networks, as well as a broad presence in residential applications. With more than 19.6 billion euros sales in 2010, the company's 110,000+ employees are committed to help individuals and organizations "Make the most of their energy."
www.schneider-electric.com