

Our Principles of Responsibility

May 2009

Message from the President

Jean-Pascal Tricoire, Chairman of the Management Board and CEO

Our Company interacts constantly with all of its stakeholders around the world: its borders are constantly expanding, its environment is changing ever faster, its business activities are becoming global and its responsibilities are increasing.

With this update of *Our Principles of Responsibility*, published initially in 2002, we want to reaffirm our intent to comply with the laws and regulations in force in every country where we operate.

The challenge is clearly to live up to and continue living up to the trust our customers and, more generally, our stakeholders place in us. To assist each employee in this process, we insist on the

importance of responsibility and its place at the core of our corporate governance.

Our size has almost doubled over the past five years. Today the Company has 114,000 employees around the world. Further to our various acquisitions, we have successfully integrated this exceptional professional and cultural diversity and made it one of our strengths. In addition to *Our Values*, *Our Principles of Responsibility* constitute the foundations of our common references. They give our mission statement its full meaning: help people and organisations make the most of their energy.

Our Principles of Responsibility has been drawn up based on the major principles Schneider Electric subscribes to (Global Compact, Organisation for Economic Cooperation and Development, Human Rights, and the International Labor Organisation).

I strongly encourage you to become aware of these principles and actively participate in respecting them. They apply to every one of us.

Managers of the Company entities (Businesses, Divisions, Country Organisations and Corporate Functions) are responsible for deploying and implementing them. Managers play a key role

vis-à-vis members of their team by respecting and ensuring respect for these behavior rules on a daily basis.

An Ethics Board has been set up to support managers, with the intent to mobilise commitment to this challenge and to adapt our frame of reference to developments in the world context. This board is at your disposal to answer any questions you may have about the application of these principles. Don't hesitate to contact it if you have any doubt, especially concerning a decision you have taken or need to take.

I count on each of you to apply *Our Principles of Responsibility* in your daily work.

“ ...we insist on the importance of responsibility and its place at the core of our corporate governance. ”

Introduction

- > The Schneider Electric Group (hereinafter “Schneider Electric”) is committed to adhering to ethical conduct in all of its operations.
- > These Principles of Responsibility discuss the legal and ethical principles that must guide all of us in our work.
- > It is not intended to cover every ethical issue, but to give general guidance in case of doubt or uncertainty of what actions to take.

- > They may be adapted or supplemented locally to take into account local practice and legal environment as long as the local adaptation is not less stringent than the legal or ethical principles established herein.
- > These principles apply to all Schneider Electric employees at the Group level.

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To be useful, these principles should be kept close by and reviewed regularly.

Our Principles
of Responsibility

Toward employees



Schneider Electric commits toward its employees, who constitute its main asset, to the following:

- To define, update and cause all its entities to apply human resources policies.
- To promote equal opportunities for all according to his/her skills in terms of employment, hiring, mobility, training, compensation and occupational health, without discrimination (race, color, age, gender, sexual orientation, origin, disability, trade-union, political opinion or religious belief).
- To promote good faith consultation with employees' representatives following local procedures and labour laws.
- To ensure proper and safe working conditions, improvement of people's health respecting the definition given by World Health Organisation.
- To ensure whenever possible, that in all countries where Schneider Electric is active, employees receive benefits for work-related accidents, sickness and disablement cover.
- To ensure development of competencies and employability.
- To involve employees in the life of the Company by providing regular information, especially on challenges and targets.
- To maintain as confidential any personal information regarding its employees and to strictly limit any disclosure in accordance with local laws.

Employees commit to respecting and implementing the following principles:

- They pay attention to principles of equality of treatment and respect of individuals in their relations with their direct reports, their fellow employees, their managers, customers and suppliers.
- They are totally loyal to the Company. It is forbidden, without permission from the Company, to render assistance or to be employed by a competitor. Moreover, employees must refrain from external commitments which may interfere with their availability for the Company. They must not accept any remuneration from any organisation or business concern which has a present business relationship or conflict with Schneider Electric. Without written agreement of one's superior, employees cannot influence the decision-making regarding the business relation between Schneider Electric and a company employing a member of their family. Expenses claimed from the Company can only be related to activities performed for the Company and according to guidelines.
- They represent their entity and Schneider Electric. They have to protect Schneider Electric's interests, especially in terms of image and reputation. They must refrain from engaging in activities and relationships that conflict with the interest of the Company or reflect adversely upon it or that deprive the Company of the full measure of the employee's working time and attention to assigned duties. They should not involve Schneider Electric in their personal convictions and beliefs.

Toward business partners



With its customers, Schneider Electric commits to:

- Put forth its best efforts to increase customer performance.
- Anticipate and take into account customer expectations.
- Act with integrity and respect in all business dealings.
- Abide by its on-time delivery and safety commitments.
- Improve its products, services, and technology in order to support customers and increase the customers' satisfaction.
- Respect the principles of free competition and open economy.

The Company's employees are committed to being partners in their customers' performance:

- They contribute to satisfying Schneider Electric's commitments to its customers.
- They will not grant, directly or indirectly, any public agent or Schneider Electric customer employees any undue benefit, financial or non-financial, in order to influence decisions.
- They will not give or accept gifts, meals, trips or entertainment in strict conformity with the policy defined by the management, except within limits consistent with local practice. They will not seek to improperly influence the Company's relationship to the customer.
- No agreement or arrangement may be implemented with competitors leading to undermine free competition. They will follow the Group's legal department guidance, and will refer any questions or concerns to the office of the legal department when in doubt or in case of difficulty.

Customer satisfaction
is Schneider Electric's
top priority

Toward business partners



Schneider Electric's suppliers share the Company's commitment to customer satisfaction:

- Innovation to gain competitiveness, globalisation to benefit from volume effect and localisation to act closer to the final customer are elements of the strategy of Schneider Electric that it wishes to share with its suppliers.

With its suppliers, Schneider Electric commits to the following principles:

- Act with integrity and establish fair contractual relations.
- Promote the commitments included in "The Global Compact"¹ pertaining to human rights, labour standards, environment and anti-corruption.
- Qualify in priority suppliers those who promote social and environmental responsibility.
- Schneider Electric reserves the right to implement any necessary actions to verify that its suppliers will comply with all laws and regulations in force as well as all their contractual commitments.

Schneider Electric's employees are committed to implementing the following principles of integrity and fairness:

- Apply Schneider Electric's Supply & Quality Management procedures.
- They will have probity relationships with the Company's suppliers. They must be motivated solely to achieve business transactions in terms most favourable to the Company.
- They and any member of their family must not receive any personal benefit, financial or non-financial (gift or other entertainment), beyond a nominal value from a supplier. They should seek management approval before accepting or giving any gift, meal or other entertainment (except for non-substantial gifts consistent with local practice) as part of a business relationship.
- Employees will not to take into account their personal interest, direct or indirect, in choosing a supplier.

¹ The 10 commitments of The Global Compact are:

Human Rights:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour Standards:

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: The elimination of discrimination in respect of employment and occupation.

Environment:

Principle 7: Businesses should 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.

Anti-Corruption:

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

Toward shareholders



Schneider Electric commits to its shareholder to:

- Develop the Company's value.
- Respect governance principles based on separation of control and operations within the framework of a publicly listed company with supervisory and management boards.
- See to equality among shareholders.
- Give shareholders, as well as the financial markets, precise, fair, and accurate information, in line with rules applicable to publicly listed companies.

Schneider Electric employees are committed to respect the following:

- They will not to use any Company asset for any purpose or in any operation not in line with the Company's business activity and objectives.
- They agree to the protection and safeguarding of the Intellectual Property (registered trademarks, patents, copyright and other confidential information), of all projects, know-how of any kind of Schneider Electric.
- They respect any rules pertaining to issuing and distribution of confidential information.

- They will avoid any conflict of interest between their direct and indirect (involving their spouse, family or dependents) personal interests and those of Schneider Electric. As a consequence, they and their immediate family members cannot own a significant interest in a customer or a supplier of Schneider Electric or in any company in which Schneider Electric has a known interest. In case of conflict of interest, they must disclose immediately such conflict to their management and should not make any decision engaging the Company, without first receiving the consent of management.
- They rigorously apply financial and accounting recording and booking procedures. They will provide full, fair, accurate, timely and understandable disclosure in reports, documents and other public communications.
- They strictly respect the stock market professional Code of Conduct of the Company. They cannot make any transaction on the Company's shares based upon any insider's information. In any case, permanent insiders cannot trade Company's shares within 30 days prior to issuing of Company's half and full-year results.
- Employees should not use Company's funds or assets in operations not in line with the corporate interest of the Company.

Schneider Electric
belongs to its
shareholders

Toward planet and society



Schneider Electric commits to acting in line with principles of sustainable development, in full respect of current and future generations, cultural diversity and country legal systems where the Group is settled:

- Listen to society and its evolutions to better fulfil its needs.
- Participate in local community activities at all sites where the Company is present.
- Take into account environmental protection in its strategic decisions and in its conception, production, distribution and recycling processes.
- Market safe products that provide a safe environment and optimise energy consumption as well as natural resources.
- Communicate accurately and fairly to the various stakeholders regarding the consequences of the Company's activity concerning the environment.
- Apply laws and regulations related to activities performed and responsibilities exercised by the Group.

Schneider Electric employees are committed to:

- Minimise negative consequences of the environmental impact at each location, doing everything in their power to reduce consumption of energy and natural resources, waste and emissions linked to their activity by using Best Available Techniques (BAT).
- Be proactive with training, integration, support and fight against social exclusion.
- Take an active role in local institutions and professional organisations.

Our Principles of Responsibility

- All employees must promote honest and liable conduct.
- Schneider Electric commits to deploying these principles of responsibility. Any employee not respecting these principles may incur sanctions within the local practice and the legal system in place in each country.
- The implementation of these principles can require particular explanations. Employees in need of further clarification can ask their management, a member of human resources, the financial and/or legal department or the compliance officer of Schneider Electric.
- Employees aware of serious breach to these principles should report such activities immediately. Reporting hotlines should be operational in the first quarter of 2010. In the meantime, employees should contact their management, a member of the human resources or the legal counsel of Schneider Electric.
- Employees who make credible reports will be protected from retaliation. The information received will be treated on a confidential basis to the extent possible.

***Our Principles of Responsibility* has been elaborated taking into account and respecting the following contents:**

Global Compact (<http://www.unglobalcompact.org>)

Guiding Principles of the Organisation for Economic Cooperation and Development (<http://www.oecd.org/maintopic>)

Universal Declaration of Human Rights (<http://www.un.org/Overview/rights.html>)

International Labour Organisation (<http://www.ilo.org>)

Our Principles of Responsibility are completed by sector-based policies (in particular environment, quality, purchasing, human resources)

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