

# 2008 Employee Share Plan FAQ

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1. [What is the Employee Share Plan?](#)
2. [Who is Eligible?](#)
3. [Choosing the Right Plan](#)
4. [The Subscription Process](#)
5. [Managing the Investment](#)
6. [Dividends](#)
7. [Tax Implications](#)
8. [The Holding Period](#)
9. [Exiting the Plan](#)
10. [Additional Concerns](#)

[Top](#)

## 1. What is the Employee Share Plan?

### What is the 2008 Employee Share Plan?

It is a special plan available only to eligible employees of Schneider Electric and its participating affiliates. It allows employees the opportunity to invest in newly-issued Schneider Electric shares at a discounted price.

### Why is Schneider Electric offering a 2008 Employee Share Plan?

Schneider Electric benefits by having employees who are more committed, and who have a stake in the Company's long-term performance. Having employees who are shareholders sends a positive signal about the Company to the overall marketplace and to the financial community.

### What are the benefits of participating?

The opportunity to subscribe to shares with a 15% discount, an interest-free Company loan with convenient payroll deductions and the potential to build wealth on any shares you purchase.

### How does the Plan work?

Employees choose one of two offers (Leveraged or Classic) or a combination of both offers, as suited to their desired level of risk. Shares are then purchased and held for five years. At the end of five years, employees can sell the shares or continue to hold them, if desired.

### Has a program like the 2008 Plan been offered before?

Schneider Electric employees outside of the United States were given the opportunity to participate in worldwide share offering programs in 1997, 1999, 2003, 2004, and 2007. U.S. employees had the opportunity to participate in the 2003, 2004 and 2007 programs.

### Is the Company doing this to raise money?

No. Securities laws do not permit Schneider Electric to sell stock in this manner to raise capital. Schneider Electric is providing this plan as a "compensatory benefit plan" to employees.

# 2008 Employee Share Plan FAQ

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## **If I miss this opportunity, when will it be offered again?**

Share plans have been offered at intervals over recent years. The general intent is to continue offering such plans, possibly on an annual basis, depending on employee interest and various financial and business considerations.

## **Can I purchase Schneider Electric shares on the open market outside of the Plan?**

Yes. Schneider Electric shares are traded primarily on the Paris Stock Exchange. However, the 15% discount offered to Schneider Electric employees is only available with shares purchased under the terms of the Plan.

## **Can I purchase shares through my employer's 401(k) plan?**

You may not purchase Schneider Electric shares through a 401(k) plan. However, your participation in this Plan does not limit your ability to make other investments in Schneider Electric shares on the open market.

## **Is it a good idea for me to participate?**

Whether or not you should participate is a personal decision for you to make. You are encouraged to review the Plan documents carefully, consider your personal financial situation and seek competent advice before making your decision.

## **Do I have to invest?**

Your decision to participate in the Employee Share Plan is entirely personal and voluntary, and will have no effect on your employment.

[Top](#)

## **2. Who is Eligible?**

### **Who is eligible?**

You are eligible to participate in the Plan if you meet the following criteria:

- You are currently a full-time or part-time employee of any participating affiliate of Schneider Electric.
- You were hired on or before March 10, 2008, with a minimum of three months of service by June 9, 2008.

[Top](#)

## **3. Choosing the Right Plan**

### **What are the main differences between the two offers?**

The Leveraged Offer allows you to purchase shares at a discount (with a guarantee on your personal contribution) and gives you the opportunity to get 4.4 times the gain on every share you purchase. You may invest up to the lesser of 2.5% of your eligible pay or \$4,500. The Classic Offer allows you to purchase shares at a 15% discount, has no guarantee, and has a higher level of risk. You may invest up to 25% of your eligible pay.

# 2008 Employee Share Plan FAQ

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## **Can I reserve shares under both offers?**

The on-line reservation tool will allow you to reserve shares from both the Leveraged Offer and the Classic Offer. Any shares that you purchase under each Plan will be governed by the specific guidelines of that Offer. The *U.S. Employee Guide* and the on-line reservation tool provide an example on how much you may invest under each Offer when you reserve shares under both Offers.

## **How will I know which offer is right for me?**

Schneider Electric is not able to give you specific stock advice. You may want to consult with your financial planner. In general, you may want to consider what level of risk you feel most comfortable with, the differing tax aspects of the two offers, and the amount of investment you wish to make.

## **Why does Schneider Electric limit our contribution in the Plan?**

In order to provide the 15% discount benefit, the Plan is limited accordingly.

## **Why is the Holding Period five years?**

The Holding Period is required by French laws that govern the Plan. In addition, one of the reasons that Schneider Electric provides the Employee Share Plan is to promote employee commitment in the Company's long-term performance. Having a five-year Holding Period helps the Company to achieve that objective of encouraging employees to share a vested interest in the Company's long-term growth.

[Top](#)

## **4. The Subscription Process**

### **How and when do I subscribe?**

Complete your on-line reservation and select your payment method during the Reservation Period between March 25 and no later than 5 p.m. Central Time on April 18, 2008. A link to the on-line reservation tool is available on the Employee Share Plan page on the Schneider Electric intranet and on [www.squared.com/employeedirect](http://www.squared.com/employeedirect).

### **What is my User ID and Password for the on-line reservation tool?**

If you are a Schneider Electric employee supported by Employee *Direct*, use your Employee ID and Password that you use to access the Employee *Direct* tools (e.g., *Direct ACTION*, *Direct INFO*) to access your record on the on-line reservation tool. All other employees of Schneider Electric affiliates will need to follow the instructions on-line to retrieve your ID and Password for the tool.

### **My information on the on-line reservation tool is not correct and I'm not allowed to update the field(s) on-line. Who should I contact?**

Call Schneider Electric's Employee *Direct* Service Center at 800-993-7638 for assistance.

### **How is my eligible pay determined?**

Your eligible pay is your annual base pay as of March 1, 2008 plus any overtime pay, and short-term bonuses and commissions earned in 2007 and paid through March 14, 2008 for the 2007 plan year.

# 2008 Employee Share Plan FAQ

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## **Can I purchase more shares after the Reservation Period is over?**

No. You must decide how much you wish to contribute (in dollars) during the Reservation Period between March 25 – April 18, and complete your reservation on-line. You cannot order a particular number of shares unless you wish to make only the minimum contribution of one share.

## **What if I change my mind during the Reservation Period?**

You may login and make changes to your reservation as many times as you wish during the Reservation Period. Your last confirmed reservation in the system as of 5 p.m. Central Time of April 18, 2008 will be your final reservation.

## **Is there a fee for using the monthly payroll deduction to pay for my investment?**

No, the interest-free loan is a special benefit provided by your Schneider Electric employer for the convenience of its employees.

## **What if I don't want to pay for my investment through payroll deductions?**

You may pay for your entire reservation by cashier's check made payable to "Square D Company". Your payment must be received by Schneider Electric's Employee *Direct* in Palatine, IL during the Cash Collection Period, from June 17 – June 30, 2008. If you elect to pay for your reservation by cashier's check and your payment is not received during the Cash Collection Period, payroll deductions will begin in August 2008 to pay for your investment.

## **Is there a transaction fee when buying or converting stock?**

Not if such actions are taken at the end of the Holding Period or an Early Exit Event. If you decide to keep your shares after the Plan is over, you may have fees in any future handling of your shares.

## **Is there a minimum or maximum amount that I can borrow from my employer through an interest-free loan?**

Interest-free loans are available up to \$10,000.

## **What happens if there is an oversubscription of shares?**

If the subscription ceiling is exceeded, a formula will be used to determine the maximum amount of shares that will be allocated to each subscriber. Any amount above the allocation will be prorated to achieve the amount no greater than the ceiling.

[Top](#)

## **5. Managing the Investment**

### **What type of bank will be holding the shares: an American or European bank?**

The shares will be held in an account established at The Bank of New York Mellon for Schneider Electric employees in the United States. We call this bank the "custodial bank."

### **The Leveraged Offer states that there is a 100% guarantee. Who is making this guarantee?**

Schneider Electric has arranged for Calyon, a French bank, to act as the "lending bank." The lending bank will guarantee your personal contribution in the Leveraged Offer, irrespective of the performance of the Schneider Electric ordinary share. This guarantee is provided by the lending bank and not by your employer or by Schneider Electric or any of its subsidiaries.

### **What happens if the stock splits during the Holding Period?**

Your shares will be adjusted to account for the split.

# 2008 Employee Share Plan FAQ

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## **What happens if Schneider Electric or a subsidiary has a change in control during the Holding Period?**

A sale, merger or similar transaction covering all or part of Schneider Electric does not, in itself, result in any changes in the terms of the Plan. In general, in the Classic Offer, your employment will not be considered terminated for purposes of the Plan following a merger, sale of your business unit or similar transaction, for so long as you continue to be employed by a successor corporation, whether or not it is affiliated with Schneider Electric. In the Leveraged Offer, your employment generally will be considered terminated in such circumstances, in order to comply with tax rules applicable to the Leveraged component of the Plan. However, if such a transaction results in changes to the share capital of Schneider Electric, the number of shares you own or are to receive may be adjusted or your shares may be exchanged for other shares, cash or other property. As a result of the five-year Holding Period, you may not be able to tender your shares if a third party makes a tender offer for Schneider Electric shares.

## **What are the administrative fees associated with the Plan?**

For the Leveraged Offer, administrative fees are reflected in the portion of the share appreciation retained by the lending bank. For the Classic Offer, the Company covers the administrative fees.

## **How do I track the price of Schneider Electric shares?**

Schneider Electric ordinary shares trade primarily on the Paris Stock Exchange and daily price quotations appear in the Wall Street Journal. Daily price quotations can also be obtained through the Internet from the Euronext Paris website (<http://www.bourse-de-paris.fr/default.htm>) and the Schneider Electric website (<http://www.schneider-electric.com/en/chiffres/realtime.htm>).

## **Where do I find the performance history of Schneider Electric stock?**

On the website: [www.schneider-electric.com](http://www.schneider-electric.com)

[Top](#)

## **6. Dividends**

### **Who benefits from the dividends paid on shares during the Holding Period?**

That depends on which Offer you choose. Under the Leveraged Offer, the dividends are used to pay back the lending bank for the loan which purchased the additional shares. In the Classic Offer, you will receive any potential dividends that may occur.

### **Can I elect to have dividends reinvested?**

No. The dividends under the Classic Offer, if issued, will be given to you by check. The lending bank keeps the dividends under the Leveraged Offer.

[Top](#)

## **7. Tax Implications**

### **Is the interest free loan taxable?**

The loan is not taxed, but the loan repayments are deducted from your pay on an after-tax basis.

# 2008 Employee Share Plan FAQ

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## **Do you pay any taxes on the Leveraged Offer where there is no gain?**

No, and because you don't receive the benefit of the discount price, you are not taxed on that.

## **Since this is a European traded stock, am I being taxed by both France and U.S.?**

Assuming you are a U.S. citizen and a resident of the U.S. and not a resident of France, you will be subject to tax in both France and the U.S. only on the dividend income you receive through shares purchased in the Classic Offer. This dividend income will be subject to French tax, although the taxes you pay the French tax authorities may be eligible to use as a credit against the U.S. tax you pay on the dividends or a deduction from your U.S. taxable income.

## **How will I be taxed on this benefit?**

Those investing in the Classic Offer will be taxed in 2008 on the 15% discount, and also will be taxed on any gains on their investments at the end of the Holding Period or upon an Early Exit Event. Those investing in the Leveraged Offer will only be taxed on any gains on their investment, not on the 15% discount. If you have questions beyond that, you are encouraged to seek competent tax advice.

## **Why are you taxed twice in the Classic Offer but only once in the Leveraged Offer?**

The payout in the Leveraged Offer is calculated by subtracting the 2008 average market price from the 2013 average market price (not the discounted price). Because you will not profit from the 15% discount, you are not taxed on it.

[Top](#)

## **8. The Holding Period**

### **Can I take an early withdrawal for college or other large investments?**

You may not take an early exit for college expenses. You may use the purchase of a primary residence as an Early Exit Event under the Classic Offer only. That is the only purchase that qualifies as an Early Exit Event. If you have an Early Exit Event, you may not take a partial withdrawal.

### **Am I fully vested during the Holding Period?**

Yes. The Holding Period has nothing to do with being vested. The shares that you have purchased are fully yours when you purchase them. They are being maintained for you and will be turned over to you at the end of the five-year period or at the time of an Early Exit Event. In addition, you will receive the gain (if any) under the Leveraged Offer formula at the end of the five-year period or at the time of an Early Exit Event.

### **Do I have to cash out at the end of five years?**

You must exit the plan, but you can elect to receive cash or shares.

[Top](#)

# 2008 Employee Share Plan FAQ

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## 9. Exiting the Plan

### What is an Early Exit Event?

An Early Exit Event is an event that causes you to leave the Plan before the end of the Holding Period. The only events that qualify for Early Exit Events are: termination of employment, total and permanent disability, purchase of a primary residence (Classic Offer only), or death.

### Do I have to sell my shares after June 28, 2013 when the Holding Period ends?

You may sell your shares, or transfer them to a personal brokerage account. When the time comes, you will be notified of your options and how to take action.

### If I have a leave of absence or an Early Exit Event, is it mandatory that I leave the Plan right away?

A leave of absence is not considered an Early Exit Event. If you are under the Classic Offer, you have six months after an Early Exit Event to request an exit from the Plan. If you are under the Leveraged Plan, you must exit the Plan as soon as possible after an Early Exit Event.

### What happens if an Early Exit Event occurs within the 10-month loan repayment period?

You must exit the Plan, and are still required to complete payment of the loan. (Just because you haven't finished payment, doesn't allow you to stay in.) The *Payroll Deduction Agreement* explains what happens if you exit the Plan before completing repayment of the loan.

### If I leave the Company before the end of the Holding Period, do I have to exit the Plan?

Yes, for the Leveraged Offer. The Classic Offer also allows you to exit voluntarily within 6 months of the Early Exit Event, but if you don't, you must stay in the Plan through the end of the Holding Period.

[Top](#)

## 10. Additional Concerns

### I am a U.S. citizen on an international assignment. I am not living in the U.S. at this time. Can I participate in the U.S. version of the Employee Share Plan?

Yes, you may participate in the U.S. version if you have more than 3 months of employment with any Schneider Electric entity prior to June 9, 2008 and you are currently on the payroll of a U.S. participating employer for all or part of your pay. If your host country is not participating in the Plan, you can participate in the U.S. version of the Plan up to 25% of your eligible compensation paid by your U.S. employer. If you are not receiving any compensation from a U.S. employer, you may not participate in the U.S. version of the Plan.

### How can I assign a beneficiary for my shares?

A beneficiary can not be assigned specifically through the Employee Share Plan. The shares will be payable to your estate.

### Can I participate in the Share Plan if I have an active garnishment?

You are eligible for an interest-free Company loan up to \$10,000, repayable by payroll deduction, even if you have a lien or garnishment.