

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, Québec,
NOVA SCOTIA, NEW BRUNSWICK AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
SCHNEIDER ELECTRIC S.A.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Québec, Nova Scotia, New Brunswick and Newfoundland and Labrador (collectively, the "Jurisdictions") has received an application from Schneider Electric S.A. (the "Filer") for a decision under the securities legislation (the "Legislation") of the Jurisdictions that:

- (i) the prospectus requirements contained in the Legislation shall not apply to certain trades in units ("Units") of the Schneider International 2003 FCPE (the "Fund") made pursuant to the Employee Share Offering (as defined below) to or with Qualifying Employees (as defined below) resident in the Jurisdictions who elect to participate in the Employee Share Offering (the "Canadian Participants");
- (ii) the registration requirements contained in the Legislation shall not apply to trades in Units of the Fund made pursuant to the Employee Share Offering to or with Canadian Participants not resident in Ontario or Manitoba;
- (iii) the registration and prospectus requirements shall not apply to the trades of ordinary shares of the Filer (the "Shares") by the Fund to Canadian Participants upon the redemption of Units by Canadian Participants, nor to the issuance of units of a successor fonds communs de placement d'entreprise (an "FCPE") to holders of Units upon the transfer of the assets of the Fund to the FCPE at the end of the Lock-Up Period (as defined below);
- (iv) the registration and prospectus requirements shall not apply to trades of Shares by the successor FCPE to Canadian Participants upon the redemption by Canadian Participants of units in the successor FCPE;

(v) the registration and prospectus requirements shall not apply to the first trade in any Shares acquired by Canadian Participants under the Employee Share Offering where such trade is made through the facilities of a stock exchange outside of Canada; and

(vi) the manager of the Fund, AXA Gestion Intéressement (the "Manager") is exempt from the requirements contained in the Legislation to be registered as an adviser (the "Adviser Registration Requirements") to the extent that its activities in relation to the Employee Share Offering require compliance with the Adviser Registration Requirements.

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Commission des valeurs mobilières du Québec is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. The Filer is a corporation formed under the laws of France. It is not and has no intention of becoming a reporting issuer (or equivalent) under the Legislation. The Shares are listed on Euronext Paris.
2. The Filer carries on business in Canada through its affiliates, Schneider Canada Inc. and INDE Electronics, Inc. (the "Canadian Affiliates" and, together with the Filer and other affiliates of the Filer, the "Schneider Group"). The Canadian Affiliates are direct or indirect controlled subsidiaries of the Filer and are not, and have no intention of becoming, reporting issuers under the Legislation.
3. The Filer has established a worldwide stock purchase plan for employees of the Schneider Group (the "Employee Share Offering").
4. Only persons who have been employees of a member of the Schneider Group for a minimum of three months prior to the close of the subscription/revocation period for the Employee Share Offering (the "Qualifying Employees") will be invited to participate in the Employee Share Offering.
5. The Fund is an FCPE, a collective employee shareholding vehicle of a type commonly used in France for the conservation or custodianship of shares held by employee investors. The Fund was established for the purpose of implementing the Employee Share Offering. The Fund is not and has no intention of becoming a reporting issuer. Only Qualifying Employees will be allowed to hold Units of the Fund in an amount proportionate to their respective investments in the Fund.
6. Under French law, all Units acquired in the Employee Share Offering will be subject to a hold period of approximately five years (the "Lock-Up Period"), subject to certain exceptions prescribed by French law (such as a release on death or termination of employment). At the end of the Lock-Up Period, a Canadian Participant may redeem Units in the Fund according to the

Redemption Formula (described below), to be settled by delivery of the number of Shares equal to such amount or the cash equivalent.

7. In the event of an early unwind resulting from the Canadian Participant satisfying one of the exceptions to the Lock-Up Period, a Canadian Participant may redeem Units from the Fund using the Redemption Formula (described below), but using the market value of the Shares at the time of unwind to measure the increase, if any, from the Reference Price (described below).

8. Under the Employee Share Offering, Canadian Participants will purchase Units in the Fund, which will subscribe for Shares on behalf of the Canadian Participants using the Employee Contribution (as described below) and certain financing made available by a major European bank, Credit Agricole Indosuez ("CAI"), at a purchase price that is equal to the average of the opening price of the Shares on 20 trading days prior to the date the price is set (the "Reference Price"), less a 15% discount (the "Subscription Price").

9. Canadian Participants in the Employee Share Offering enjoy the benefit of a 15% discount in the Reference Price. The Canadian Participants effectively receive a share appreciation entitlement in the increase in value, if any, of the Shares financed by the CAI Contribution (as described below).

10. Participation in the Employee Share Offering represents an opportunity for Qualifying Employees potentially to obtain significantly higher gains than would be available through participation in a traditional share purchase plan, by virtue of the Qualifying Employee's indirect participation in a financing arrangement involving a swap agreement (the "Swap Agreement") between the Fund and CAI. In economic terms, the Swap Agreement effectively involves the following exchange of payments: for each Share which may be purchased by the Canadian Participant's contribution (the "Employee Contribution") under the Employee Share Offering at the Subscription Price, CAI will lend to the Fund (on behalf of the Canadian Participant) an amount sufficient to enable the Fund (on behalf of the Canadian Participant) to purchase an additional four Shares (the "CAI Contribution") at the Subscription Price.

11. Under the terms of the Swap Agreement, at the end of the Lock-Up Period (the "Settlement Date"), a Canadian Participant may redeem his or her Units in consideration for a payment (to be settled in cash or Shares) from the Fund of one of the following amounts:

(i) if the average closing price of the Shares for each trading day during a period of approximately six months, ending one month prior to the end of the Lock-Up Period (the "Final Price") is greater than the Reference Price, a Canadian Participant will receive, (A) 100% of his or her Employee Contribution in euros, and (B) an amount equal to approximately 47% of the increase, if any, in the value of the Shares (the "Appreciation Amount") determined as the difference between the Final Price of the Shares and the Reference Price.

(ii) if, at the end of the Lock-Up Period, the Final Price of the Shares is between the Reference Price and the Subscription Price, a Canadian Participant will receive 100% of his or her Employee Contribution in euros.

(iii) if, at the end of the Lock-Up Period, the Final Price of the Shares is lower than the Reference Price, a Canadian Participant will receive at least 85% of his or her Employee Contribution in euros.

(collectively, the "Redemption Formula")

12. Under no circumstances will a Canadian Participant be entitled to receive less than 85% of his or her Employee Contribution at the end of the Lock-Up Period, nor be liable for any other amounts.

13. For purposes of determining the number of Shares a Canadian Participant will receive, such Shares will be valued on the basis of a 5 trading day average of the opening and closing prices of the Shares prior to the end of the Lock-Up Period.

14. If a Canadian Participant fails to make an election to redeem his or her Units, an amount in cash or Shares equal to the amount calculated under paragraph 11 will be transferred to a successor FCPE. Units will be issued to the applicable Canadian Participants in recognition of the assets transferred to the new FCPE. The Canadian Participants may redeem the new units for cash or Shares whenever they wish;

15. Under French law, an FCPE is a limited liability entity. The risk statement provided to Canadian Participants will confirm that, under no circumstances, will a Canadian Participant be liable to any of the Fund, CAI or the Filer for any amounts in excess of his or her Employee Contribution under the Employee Share Offering.

16. During the term of the Swap Agreement, dividends paid on the Shares held in the Fund will be reinvested by the Fund in Shares. At the end of the Lock-Up Period the Shares acquired through such reinvestment will be liquidated and the proceeds paid to CAI by the Fund as partial consideration for the obligations assumed by CAI under the Swap Agreement.

17. For Canadian federal income tax purposes, the Canadian Participants in the Fund will be deemed to receive all dividends paid on the Shares financed by either the Employee Contribution or the CAI Contribution, at the time such dividends are paid to the Fund, notwithstanding the actual non-receipt of the dividends by the Canadian Participants by virtue of the terms of the Swap Agreement. Consequently, Canadian Participants will be required to fund the tax liabilities associated with the dividends from their own resources.

18. The declaration of dividends on the Shares remains at the sole discretion of the board of directors of the Filer. The Filer has not made any commitment to CAI in respect of dividends.

19. To respond to the fact that, at the time of the initial investment decision relating to participation in the Employee Share Offering, Canadian Participants will be unable to quantify their potential income tax liability resulting from such participation, the Filer will indemnify each Canadian Participant for all tax costs to the Canadian Participants associated with the payment of dividends in excess of a specified amount of euros per Share during the Lock-Up Period such that, in all cases, a Canadian Participant will, at the time of the original investment

decision, be able to quantify, with certainty, his or her maximum tax liability in connection with dividends received by the Fund on his or her behalf under the Employee Share Offering.

20. At the time the Canadian Participant's obligations under the Swap Agreement are settled, the Canadian Participant will realize a capital gain (or capital loss) by virtue of having participated in the Swap Agreement to the extent that amounts received by the Fund, on behalf of the Canadian Participant, from CAI exceed (or are less than) amounts paid by the Fund, on behalf of the Canadian Participant, to CAI. Capital losses (gains) realized by a Canadian Participant under the Swap Agreement may be offset against (reduced by) any capital gains (losses) realized by the Canadian Participant on a disposition of the Shares, in accordance with the rules and conditions under the *Income Tax Act* (Canada) or comparable provincial legislation (as applicable).

21. The Manager is a portfolio management company governed by the laws of France. The Manager is registered with the French Commission des Opérations de Bourse (the "COB") to manage French investment funds, employee plans and other investment products, and complies with the rules of the COB. The Manager is not and has no intention of becoming a reporting issuer under the Legislation.

22. The Manager may, for the Fund's account, acquire, sell or exchange all securities in the portfolio of the Fund. The Fund's portfolio will consist of Shares and the Swap Agreement, and may include cash equivalents which the Fund may hold pending investments in Shares and for purposes of Unit redemptions. The Manager's portfolio management activities in connection with the Employee Share Offering and the Fund are limited to purchasing Shares from the Filer, selling such Shares as necessary in order to fund redemption requests, and such activities as may be necessary to give effect to the Swap Agreement.

23. The Manager is also responsible for preparing accounting documents and publishing periodic informational documents as provided by the rules of the FCPE. The Manager's activities in no way affect the underlying value of the Shares.

24. Shares issued in the Employee Share Offering will be deposited in the Fund through BNP-Paribas Service Securities (the "Depository"), a large French commercial bank subject to French banking legislation.

25. Under French law, the Depository must be selected by the Manager from among a limited number of companies identified on a list by the French Minister of the Economy, and its appointment must be approved by the COB. The Depository carries out orders to purchase, trade and sell securities in the portfolio and takes all necessary action to allow the Fund to exercise the rights relating to the securities held in its portfolio.

26. Canadian Participants will not be induced to participate in the Employee Share Offering by expectation of employment or continued employment.

27. The total amount invested by a Canadian Participant through the Employee Share Offering, including any CAI Contribution, cannot exceed 25% of his or her estimated gross annual compensation for 2003, although a lower limit may be established by the Canadian Affiliates.

28. None of the Filer, the Manager, the Canadian Affiliates or any of their employees, agents or representatives will provide investment advice to the Qualifying Employees with respect to an investment in the Units.

29. The Filer will retain a securities dealer registered as a broker/investment dealer under the Legislation of Ontario and Manitoba (the "Registrant") to provide advisory services to Canadian Participants resident in Ontario or Manitoba and to make a determination, in accordance with industry practices, as to whether an investment in the Employee Share Offering is suitable for each such Canadian Participant based on his or her particular financial circumstances. The Registrant will establish accounts for, and will receive the initial account statements from the Fund on behalf of, such Canadian Participants.

30. The Units of the Fund will be issued by the Fund to Canadian Participants resident in Ontario or Manitoba solely through the Registrant.

31. The Units will be evidenced by account statements issued by the Fund.

32. The Canadian Participants will receive an information package in the French or English language, as applicable, which will include a summary of the terms of the Employee Share Offering and a tax notice containing a description of Canadian income tax consequences of subscribing to and holding the Units and redeeming Units at the end of the Lock-Up Period. The information package will also include a risk statement which will describe certain risks associated with an investment in Units pursuant to the Employee Share Plan.

33. Upon request, Canadian Participants may receive copies of the French *Document de Référence* filed with the COB in respect of the Shares and a copy of the relevant Funds rules (which are analogous to company by-laws). The Canadian Participants will also receive upon request copies of the continuous disclosure materials relating to the Filer furnished to Schneider Electric shareholders generally.

34. The Filer will provide contractual rights of action to Canadian Participants if the offering documents provided to the Canadian Participants contain a material misrepresentation in respect of the Employee Share Offering.

35. There are approximately 1,064 Qualifying Employees resident in Canada, in the provinces of Québec (139), Ontario (673), British Columbia (109), Alberta (107), Saskatchewan (8), Nova Scotia (8), Newfoundland and Labrador (1), New Brunswick (8) and Manitoba (11), who represent in the aggregate less than 3% of the number of Qualifying Employees worldwide.

36. As of the date hereof and after giving effect to the Employee Share Offering, Canadian residents do not and will not beneficially own (which term, for the purposes of this paragraph, is deemed to include all Shares held by the Fund on behalf of Canadian Participants) more than 10% of the Shares and do not and will not represent in number more than 10% of the total number of holders of the Shares as shown on the books of the Filer.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that:

(a) the prospectus requirements shall not apply to trades in Units of the Fund to or with the Canadian Participants made pursuant to the Employee Share Offering, provided that the first trade in such Units acquired by Canadian Participants pursuant to this Decision, in a Jurisdiction, shall be deemed a distribution or a primary distribution to the public under the Legislation of such Jurisdiction;

(b) the registration requirements shall not apply to trades in Units of the Fund made pursuant to the Employee Share Offering to or with Canadian Participants not resident in Ontario and Manitoba;

(c) the registration and prospectus requirements shall not apply to:

(i) trades of Shares by the Fund to the Canadian Participants upon the redemption of Units by Canadian Participants pursuant to the Employee Share Offering;

(ii) the issuance of units of a successor FCPE to holders of Units upon the transfer of the assets of the Fund to the successor FCPE; and

(iii) trades of Shares by the successor FCPE to the Canadian Participants upon the redemption by Canadian Participants of units of the successor FCPE,

provided that the first trade in any such Shares or Units acquired by a Canadian Participant pursuant to this Decision, in a Jurisdiction, shall be deemed a distribution or a primary distribution to the public under the Legislation of such Jurisdiction;

(d) the registration and prospectus requirements shall not apply to the first trade in any Shares acquired by a Canadian Participant under the Employee Share Offering provided that such trade is:

(i) made through a person or company who/which is appropriately licensed to carry on business as a broker/dealer (or the equivalent) under the applicable securities legislation in the foreign jurisdiction where the trade is executed; and

(ii) executed through the facilities of a stock exchange outside of Canada; and

(e) the Manager shall be exempt from the adviser registration requirements, where applicable, in order to carry out the activities described in paragraphs 22 and 23 hereof.

DATED August 6, 2003.

"Jos 鑼 Deslauriers"

Director Capital Markets