

# Information on the compensation of the corporate officers - 2016

In accordance with the AFEP/MEDEF Code

At its February 15, 2017 meeting, the Board of Directors, upon recommendation by the Governance and Remuneration Committee and after closing the 2016 fiscal year, calculated the components of the compensation and benefits granted to Mr. Jean-Pascal Tricoire, the Chairman and CEO, and Mr. Emmanuel Babeau, the Deputy CEO, without them being present.

In the interest of comprehensiveness and transparency, the components of the compensation and benefits granted to Messrs. Tricoire and Babeau presented below, include the compensation and benefits owed to them in consideration for their duties as corporate officers of Schneider Electric SE and for the corporate offices they held in the other Group entities.

## **FINANCIAL PERFORMANCES OF SCHNEIDER ELECTRIC GROUP IN 2016**

*Focus on strategic priorities yielded strong results in 2016:*

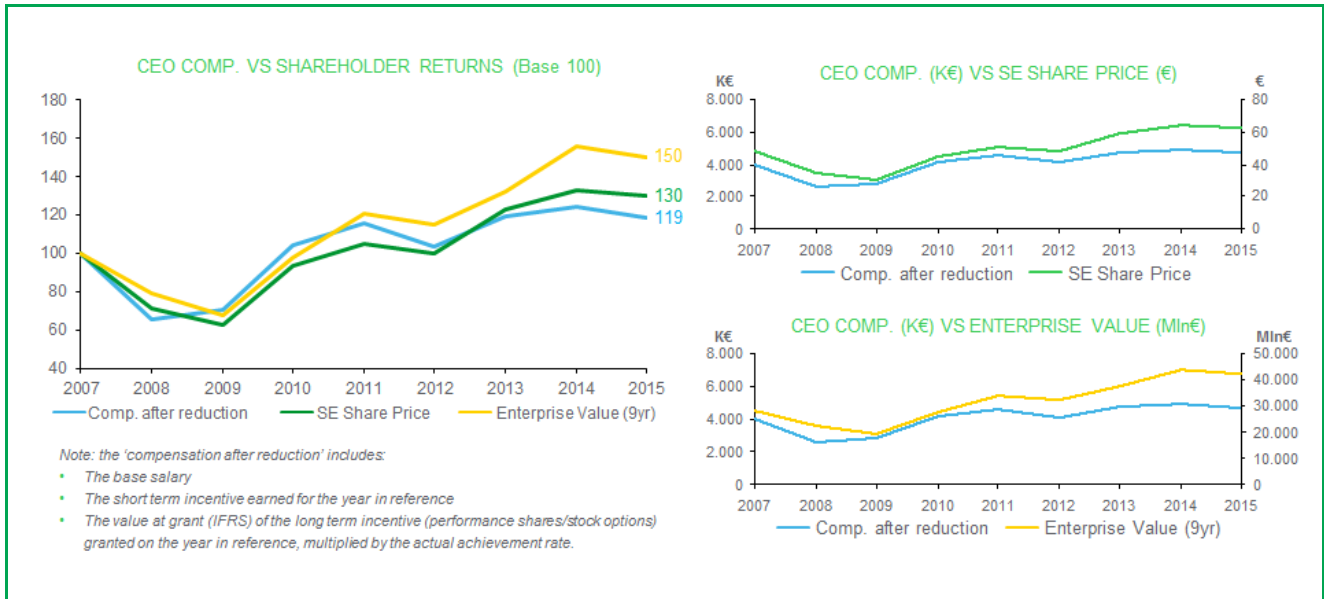
- ◆ FY Revenues €24.7Bn with organic growth of -0.9% and slightly positive underlying organic growth;
- ◆ FY Adjusted EBITA margin improved 40 bps to 14.1%, c. +90 bps before foreign exchange
- ◆ Net profit of €1.8bn, increased +24% and earning per share +26%
- ◆ Record cash generation with free cash-flow of €2.2bn, generating a cash conversion rate of 118%
- ◆ Proposed dividend at €2.04/share, up+2%.

*The Group is well positioned for further organic sales growth and margin improvement*

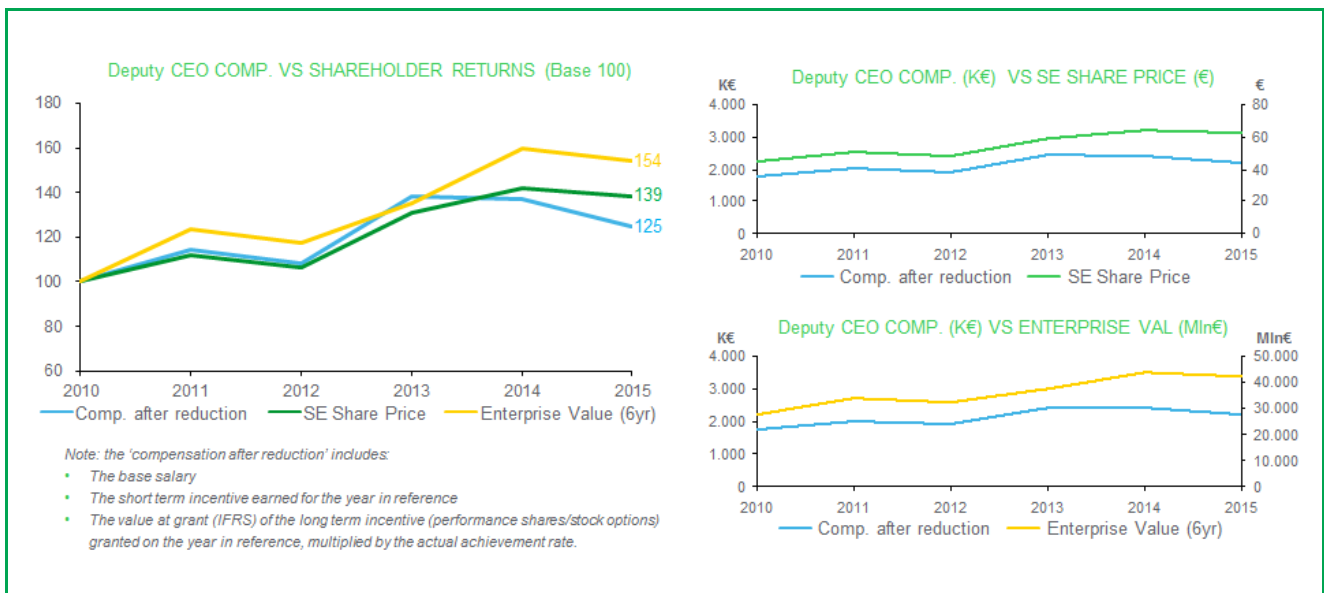
### CHANGE IN EXECUTIVE COMPENSATION IN RELATION TO THE COMPANY'S PERFORMANCE

In order to enable shareholders to assess the alignment between the compensation of the corporate officers and the company's performance over the years, the graphs below illustrate (base = 100) the change in the compensation of Schneider Electric's corporate officers compared to the change in the enterprise value and the stock price.

The actual Chairman and CEO compensation has consistently tracked the trend of shareholders returns in terms of share price and enterprise value:



The same applies to the Deputy CEO who joined the Group in 2010.



Note: data for 2016 will be available in February 2019 when the achievement rate of the LTI Plan granted in 2016 will be determined.

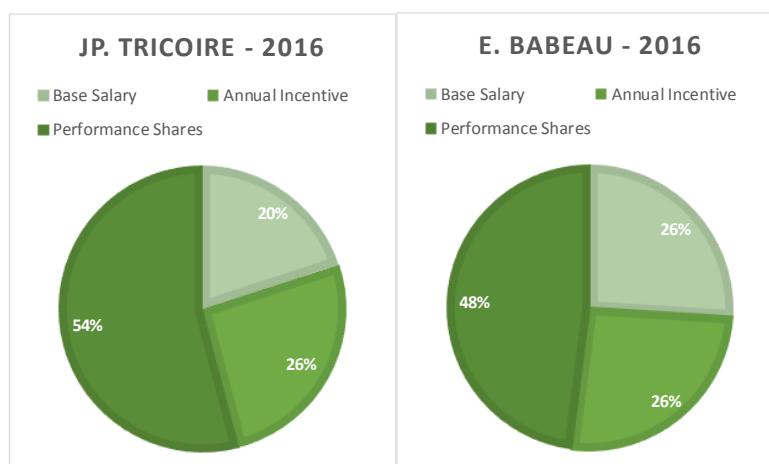
## I. Principles and criteria for determining, distributing and allocating the components of the compensation and benefits of all types that may be granted to the corporate officers in 2016

Based upon the recommendation from the Governance and Remuneration Committee, Schneider Electric's Board of Directors decided at its February 16, 2016 meeting to uphold both the structure and the amounts of compensation and benefits of any type granted or allocated to Messrs. Tricoire and Babeau in 2015, and adjusted the performance criteria to the Group's strategic priorities for 2016 and to investors' comments.

After re-examining the suitability and fairness of the compensation policy for executives, the Board of Directors reiterated its principles as presented in the 2015 Registration Document (page 151 et seq.) which aim to:

- ◆ Incentivize and retain executives in a competitive international market by ensuring that their compensation package is **competitive** compared to the median range of a relevant European and international peer group that corresponds to the Group's industry and size, maintaining a rank in the third quartile of the CAC40 and in the median range of the Stoxx Europe 50 (detail of the peer group to be provided in the 2016 Registration Document, section 3.7);
- ◆ **Reward** individual and collective **performance** by aligning the levels of compensation to the Group's results; Schneider Electric's policy is to give a prevalence to **variable** pay components, which represent more around 80% of the package on target, with performance measured according to criteria that are mainly **economic** (60% of the variable cash compensation and 80% of the multi-year performance shares) and **measurable** (80% of the variable cash compensation and 100% of the performance shares), based on figures that are disclosed and, for the most part, audited. Some of the major criteria – profitability and CSR – are translated into the short-term and the long-term components (respectively, the variable part in cash and the performance shares), in such a manner that the orientations adopted by the corporate officers take into consideration both dimensions. The criteria are selected, based upon (i) the KPIs used in the market communication and (ii) the drivers of the Group's strategy; and
- ◆ **Align compensation to the shareholders' long-term interests**, with an overweight of share-based benefits making up about 50% of the target Package.

Thus, the target pay mix of the package is broken down as follows (based on 2016 target structure):



The performance criteria are chosen from financial indicators that are most representative of Group performance, and are supplemented by factors that enable the Group to offer a lasting and satisfactory development outlook for all stakeholders in the company's success.

The performance levels required by the board to reach each target were set in early 2016 in line with the forecasts disclosed to the market simultaneously with the results of the fiscal year ended.

The individual qualitative and/or quantitative targets were also determined by the board at the beginning of the year in accordance with the goals of the strategic plan and the contribution the corporate officer requested to make to these goals. Based on the circumstances and the priorities, the targets also encompass risks raised by the Audit Committee as well as the recommendations of the Governance and Remuneration Committee and the Human Resources and CSR Committee. In the highly competitive environment in which Schneider Electric Group operates, it would be harmful for the Group to disclose these targets in detail, even retrospectively, because they pertain to a strategy that extend over several years. However, this policy will be re-examined by the Governance and Remunerations Committee on a year-to-year basis and the objectives which can be disclosed will be commented. Thus, it will merely be recalled here that more than 75% of the Board of Directors is composed of independent directors within the meaning of the AFEP-MEDEF Code and the directors contribute a breadth of expertise that is varied and specialized. Besides, 75% of the Governance and Remuneration committee is composed of independent directors including its chairman.

## II. Compensation and benefits granted to the corporate officers in 2016

### II.1 Chairman and Chief Executive Officer – Mr. Jean-Pascal Tricoire

The tables below sum up the compensation owed or granted to Mr. Tricoire for the 2016 fiscal year in pursuance of the authorization given by the board on 16 February 2016; each component is detailed in the sections below.

Table 1: Reported compensation and benefits (presented in accordance with AFEP-MEDEF recommendation)

Jean-Pascal TRICOIRE	Amounts due for fiscal year 2016		Amounts due for fiscal year 2015	
<b>Chairman and CEO (in euros)</b>				
<b>A- CASH COMPENSATION</b>				
Base salary	950,000	17%	950,000	15%
Annual incentive	1,598,090	28%	1,213,182	20%
Attendance fees	0		0	
<b>SUB TOTAL (A) (CASH COMPENSATION)</b>	<b>2,548,090</b>		<b>2,163,182</b>	
<b>B- BENEFITS IN KIND</b>				
Value of the performance shares granted in 2016 <sup>(1)</sup>	2,575,800 <sup>(2)</sup>	46%	3,567,060 <sup>(3)</sup>	58%
Fringe benefit (car)	13,408 <sup>(4)</sup>		0	
<b>SUB TOTAL (B) (BENEFIT IN KIND)</b>	<b>2,589,208</b>		<b>3,567,060</b>	
<b>TOTAL (A)+(B) (PACKAGE WITHOUT PENSION CASH BENEFIT)</b>	<b>5,137,298</b>		<b>5,730,242</b>	
<b>C- PENSION CASH BENEFIT</b>				
Complementary payment for pension building (fixed amount)	182,000		182,000	
Complementary payment for pension building (variable amount)	306,160		232,420	
<b>SUB TOTAL (C) (PENSION CASH BENEFIT)</b>	<b>488,160</b>	<b>9%</b>	<b>414,420</b>	<b>7%</b>
<b>TOTAL (A)+(B)+(C) (CASH COMPENSATION, BENEFIT IN KIND AND PENSION CASH BENEFIT)</b>	<b>5,625,458</b>	<b>100%</b>	<b>6,144,662</b>	<b>100%</b>
<b>Reminder– one-off lump sum payment to build up a pension <sup>(5)</sup></b>				
	N/A		<b>4,300,000</b>	
In cash			2,150,000	
In free shares <sup>(6)</sup>			2,150,000	

(1) Because the earnings on these shares are subject to the achievement of the performance conditions, this is neither compensation that is actually collected during the fiscal year nor compensation that is assured in its principle or amount. Their distribution is valued based on the method recommended by standard IFRS2.

(2) Valuation of 18,000 shares allocated under Plan no. 25 and of 42,000 shares under Plan no. 26, see paragraph II.1.b) below, that is, 18,000 shares \* €42.30 + 42,000 shares \* €43.20 = €2,575,800.

(3) Valuation of 18,000 shares allocated under Plan no. 21 and of 42,000 shares under Plan no. 22, see paragraph above, that is, 18,000 shares \* €60.76 + 42,000 shares \* €58.89 = €3,567,060.

(4) In 2016 Mr. Tricoire has been provided with a company car whose value has been appraised at €13,408.

(5) During the February 18, 2015 meeting, the Board of Directors eliminated the entitlement to an additional pension with defined benefits ("Article 39"), to the eligible corporate officers, giving them responsibility for building up their pensions, and also authorized this one-time lump-sum payment that is released half in cash and half in free shares accompanied by a holding period of the shares. The details on the replacement mechanism and the impact of the Board of Directors' decisions on the company are outlined in the 2015 Registration Document (page 293 et seq.). This amount is isolated so as to avoid any distortion of comparative analyses.

(6) Allocation of 11,700 free shares under Plans no. 19 a and b and 27,300 free shares under Plans no. 20 a, b and c, shares that, until their delivery, are valued based on the statistical method recommended by standard IFRS2 (see 2015 Registration Document, page 162).

Table 2: Realised compensation and benefits (presented in accordance with US standards)

The table below shows the actual compensation of the corporate officers: it is not subject to performance conditions anymore. Among the benefits of all types, the performance shares presented in this format are those for which the rate of achievement has been measured and set. Where required, they are valued at the stock price of the last day of the performance period.

Jean-Pascal TRICOIRE	Amounts due for fiscal year 2016		Amounts due for fiscal year 2015	
<b>Chairman and CEO (in euros)</b>				
<b>A- CASH COMPENSATION</b>				
Base salary	950,000	16%	950,000	19%
Annual incentive	1,598,090	28%	1,213,182	24%
Attendance fees	0		0	
<b>SUB TOTAL (A) (CASH COMPENSATION)</b>	<b>2,548,090</b>		<b>2,163,182</b>	
<b>B- BENEFITS IN KIND</b>				
Value of the performance shares realised in 2016	2,816,286 <sup>(1)</sup>	48%	2,459,808 <sup>(2)</sup>	49%
Fringe benefit (car)	13,408 <sup>(3)</sup>		0	
<b>SUB TOTAL (B) (BENEFITS IN KIND)</b>	<b>2,829,694</b>		<b>2,459,808</b>	
<b>TOTAL (A)+(B) (PACKAGE WITHOUT PENSION CASH BENEFIT)</b>	<b>5,377,784</b>		<b>4,622,990</b>	
<b>C- PENSION CASH BENEFIT</b>				
Complementary payment for pension building (fixed amount)	182,000		182,000	
Complementary payment for pension building (variable amount)	306,160		232,420	
<b>SUB TOTAL (C) (PENSION CASH BENEFIT)</b>	<b>488,160</b>	<b>8%</b>	<b>414,420</b>	<b>8%</b>
<b>TOTAL (A)+(B)+(C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)</b>	<b>5,865,944</b>	<b>100%</b>	<b>5,037,410</b>	<b>100%</b>
<b>Reminder– one-off lump sum payment to build up a pension <sup>(4)</sup></b>				
	N/A		<b>4,880,390</b>	
In Cash			2,150,000	
In free shares <sup>(5)</sup>			2,730,390	

(1) Valuation of the shares of Plan nos. 21 and 22 allocated in 2015, the performance measures of which during the 2015-2016 fiscal years led to the application of a 29% discount in relation to the number of shares originally allocated. These shares are valued at the price recorded at the closing of fiscal year 2016, amounting to €66.11, that is, 60,000 shares \* achievement rate 71% \* €66.11 = €2.816.286 (See paragraph II.1.b) below).

(2) Valuation of shares from Plan nos. 17 and 18 allocated in 2014, the performance measures of which during the 2014-2015 fiscal years led to the application of a 22% discount in relation to the number of shares originally allocated. These shares are valued at the price recorded at the closing of fiscal year 2015 amounting to €52.56, that is, 60,000 shares \* achievement rate 78% \* €52.56 = €2,459,808.

(3) In 2016, Mr. Tricoire has been provided with a company car whose value has been appraised at €13,408.

(4) During the February 18, 2015 meeting, the Board of Directors eliminated the entitlement to an additional pension with defined benefits ("Article 39"), to the eligible corporate officers, giving them responsibility for building up their pensions, and also authorized this one-time lump-sum payment that is released half in cash and half in free shares accompanied by a holding period of the shares. The details on the replacement mechanism and the impact of the Board of Directors' decisions on the company are outlined in the 2015 Registration Document (page 293 et seq.). This amount is isolated so as to avoid any distortion of comparative analyses.

(5) Allocation of 11,700 free shares under Plans no. 19 a and b and 27,300 free shares under Plans no. 20 a, b and c. These shares are valued at the price on the allocation date, February 18, 2015, amounting to €70.01, that is, 39,000 shares \* €70.01 = €2.730.390.

### a) Base salary and annual incentive

- ◆ Base salary

In accordance with the Board of Directors' decision on February 16, 2016, Mr. Tricoire's base salary was **€950,000**, an amount which has not changed since his appointment as Chairman and CEO in April 2013.

- ◆ Annual incentive

After analysis of the achievement of the targets that had been assigned to him by the Board of Directors in its meeting dated February 16, 2016, on the proposal from the Governance and Remuneration Committee and based on forecasts announced to the market, it ensued that Mr. Tricoire's variable compensation was set at 129.40% of the target amount, i.e., **€1,598,090**.

The table below provides a breakdown of the calculation of the 2016 variable compensation according to the methods and criteria defined by the Board of Directors, the rate of achievement of which was set by the Board of Directors on February 15, 2017:

		On-target payment	Achievement rate - base 100	Actual payout	
				In % of base salary	Amount (Euros)
<b>60%</b>	<b>Economic Criteria</b>				
	40% <b>Group Financial indicators</b>				
	13.33% Organic Growth of the Group	17.33%	155%	26.90%	255 233
	13.33% Adjusted EBITA	17.33%	200%	34.70%	329 333
	13.33% Group cash conversion rate	17.33%	200%	34.70%	329 333
	20% <b>Company program priorities</b>				
	6.67% Transactional Sales growth	8.67%	135%	11.70%	111 150
	6.67% Field Services (without PA) Sales growth	8.67%	0%	0%	0
	6.67% Systems Gross Margin (Projects & Equipments)	8.67%	0%	0%	0
<b>20%</b>	<b>Non economic Criteria</b>				
	10% Customer satisfaction	13%	64%	8.30%	79 040
	10% Planet & Society barometer	13%	200%	26%	247 000
<b>20%</b>	<b>Individual assessment by the Board</b>				
	20% Individual goals determined by the board based on the company's strategic plan	26%	100%	26%	247 000
<b>100%</b>	<b>Total</b>	130%	129.40%	168.22%	1 598 090

As a reminder, the variable compensation may range from 0% to 260% of base salary where 0% corresponds to the minimum target achievement, short of which the corresponding portion of the variable compensation is zero; 130% corresponds to the achievement of the targets set; and 260% corresponds to the cap allocated in the event that the targets are surpassed. The progression of the amount between these two limits is linear.

#### COMMENT ON THE ACHIEVEMENT RATE ON 2016 OBJECTIVES

As mentioned, the measurable financial objectives for 2016 represented 60% of the variable compensation in cash of Messrs. Tricoire and Babeau. In total, the performance reached by the Group leads to an overall achievement rate of 129.40% on a base 100, this represents 168.22% of Mr. Tricoire's base salary. This number, above target, reflects the strong results delivered by Schneider in 2016. The Group significantly exceeded initial targets set for the year and shared with the financial markets and progresses were made on all the key dimensions of the strategic roadmap of the Group.

- ◆ Group Sales Growth

The 155% achievement on the Group Sales growth corresponds to a high achievement on the organic growth within the initial objective range. Such initial objective range had been set in line with the one communicated to the market in February 2016 and corresponded to a slight decrease or about flat organic sales growth before impact of selectivity. The Group achieved a -0.9% organic growth, corresponding to a slightly positive organic



growth in 2016 excluding the impact of selectivity (which had a negative impact of more than -1% on revenue growth in 2016), therefore in the high end of the targeted range for the year.

- ◆ Group EBITA % on Sales

The 200% achievement rate on the criteria of Group EBITA adjusted margin corresponds to an overachievement on the level of the Group EBITA adjusted margin compared to the target range. The target range had been set within the initial guidance of an EBITA adjusted margin improvement of +20bps to +60bps before foreign exchange impact communicated to the market in February 2016. The EBITA adjusted margin reached 14.1% in 2016, improving +90bps before impact of foreign exchanges, beating by +30bps the upper-end of the initial objective range.

- ◆ Group cash conversion rate

The Group has achieved a record free cash-flow generation in 2016 of €2.2 Billion, showing a high single digit growth versus the previous year and representing 118% of the normalized net profit of the company, very significantly above the objective of a 100% conversion rate of the net profit of free cash-flow on the long-term. This very strong outperformance versus the objective explains the 200% achievement rate.

- ◆ Transactional Sales Growth

Growing the products within the overall Schneider portfolio is one of the key priorities of the Group and therefore a specific objective was assigned to it, with an ambition set at the high end of the overall Group objective of an organic sales growth flat to slightly negative for 2016.

The Group has eventually delivered +0.3% of organic growth on the product business, above the initial target and explaining the achievement rate of 135% of this criterion.

- ◆ Field Services Growth

The objective for Field services growth was set in the high-single digit organic growth in 2016, in line with the Group's strong priority and ambition in growing the service business of Schneider Electric. The 0% achievement of this criterion reflects a revenue organic growth of services in 2016 of c.+5%, hence below the range targeted.

- ◆ System Gross Margin

Improving the gross margin on system (project and equipment) is another major priority of the Group in order to drive a return on capital employed on System closer to the one that is achieved on product or services. A very ambitious target had been set on this criterion. The Group eventually delivered a significant improvement of 0.4 points, however this was below target explaining the 0% achievement rate.

- ◆ Individual objectives

Amongst the individual objectives assigned by the Board to Mr. Tricoire for 2016, specific contributions in relation to the following specific projects were retained:

- ◆ To restructure and accompany the executive committee in the new reorganisation;
- ◆ The launch of EcoStruxure; and
- ◆ To develop growth areas specifically identified, the disclosure of which could be used by business competitors or harm the interests of the Group. These growth areas define the strategic priorities determined by the Board through measurable criteria highly targeted.



- ◆ Multiplier

The Board of Directors had provided that a multiplier would exceptionally be applied to for the application of a multiple to the variable part in cash based on the implementation of a successful growth strategy (see 2015 Registration Document, page 156). The Board considered that the objective had been attained and decided to apply 1 as multiplier, having therefore no impact on Mr. Tricoire's compensation. The mechanism is not being pursued.

## b) Performance shares

- ◆ On a reported basis: Performance shares granted in 2016 presented in accordance with AFEP-MEDEF recommendation

As part of the long-term profit-sharing plan granted to the executives and key employees for 2016, Mr. Tricoire had been granted 60,000 performance shares, the performance criteria of which are detailed below:

Plan No. 25	Weight	Date or performance period
Adjusted EBITA 2016-2018	40%	2016-2018
Group Cash conversion rate	25%	2016-2018
Planet and Society barometer at 31/12/2018	20%	31/12/2018
TSR objective <sup>(3)</sup>	15%	2016-2018
<b>Total</b>	<b>100%</b>	
Number of shares granted: 18,000 shares (plan 25) et 42,000 shares (plan 26)		
Date of delivery <sup>(1)</sup> : March 27 2019		
Date of availability <sup>(1)</sup> : March 27 2021		

Plan No. 26	Weight	Date or performance period
Adjusted EBITA 2016-2018	40%	2016-2018
Group Cash conversion rate	25%	2016-2018
Planet and Society barometer at 31/12/2018	20%	31/12/2018
TSR objective <sup>(3)</sup>	15%	2016-2018
<b>Total</b>	<b>100%</b>	
Number of shares granted: 18,000 shares (plan 25) et 42,000 shares (plan 26)		
Date of delivery and availability <sup>(2)</sup> : March 27 2020		

(1) Plan subject to a three-year vesting period followed by a two-year holding period.

(2) Plan subject to a four-year vesting period (three-year performance period + one-year acquisition).

(3) Comparison panel: ABB, Legrand, Schneider Electric, Siemens in Europe; Eaton, Emerson, Honeywell, Johnson Control, Rockwell Automation in the USA; Fuji Electric, Mitsubishi Electric, Yokogawa in Asia (cf. 2015 Registration Document, p. 304).

The targets, bounds and vesting rules will be detailed in the 2016 Registration Document, (chapter 8.1, 5<sup>th</sup> and 6<sup>th</sup> resolutions).

According to the method recommended by IFRS2 standards, the accounting valuation of these potential allocations that are still subject to performance conditions is the following:

	Nb. Shares	IFRS value per share	Global hypothetical valuation
Plan No. 25	18,000	42.3	€ 761,400
Plan No. 26	42,000	43.2	€ 1,814,400
			<b>€ 2,575,800</b>

The number of shares granted to Mr. Tricoire under Plan nos. 25 and 26 represents 2% of the total of the aforementioned plans.

As these shares are subject to the achievement of the performance targets at the end of a multi-year period, there are no grounds to presume either the number of shares that ultimately vest, which will depend on the Group's performance, or the corresponding value, which will depend on the stock price evolution. In any circumstances and whatever his performance, Mr. Tricoire cannot receive more than the number of shares granted to him.

- ♦ On a realised basis: Performance shares deemed acquired for which the level of achievement of the vesting criteria is determined on December 31, 2016

At its February 15, 2017 meeting, on a recommendation from the Human Resources and CSR Committee and after obtaining the opinion of the Governance and Remuneration Committee, the Board of Directors determined the achievement rate of the performance conditions of Plans nos. 21 and 22 granted in 2015, the performance period of which closed on December 31, 2016. Mr. Tricoire had potentially been granted 18,000 shares under Plan no. 21 and 42,000 shares under Plan no. 22.

The rate of target achievement was settled by the board at **71%**, i.e., a reduction rate of **29%** in relation to the number of shares originally allocated.

In line with the principle of variability described above, and subject to adherence to the other conditions of the plans, particularly with regard to affiliation with the Group and keeping of the shares, Mr. Tricoire is therefore entitled to receive 12,780 Schneider Electric shares under Plan no. 21 and 29,820 Schneider Electric shares under Plan no. 22, representing 2.1% of the total of the plans in question. These shares are valued at the stock price as of 2016 year-end, i.e. €66.11.

Plan No. 21	Weight	Achievement rate
Adjusted EBITA 2015-2016	70%	80%
Planet and society barometer at 31/12/2016	15%	100%
ROCE 2015-2016	15%	0%
<b>Total</b>	<b>100%</b>	<b>71%</b>
Number of shares delivered: 18,000 shares* 71%:		12,780 shares
Date of delivery <sup>(1)</sup> : March 27 2017      Date of availability <sup>(1)</sup> : March 27 2019		

Plan No. 22	Weight	Achievement rate
Adjusted EBITA 2015-2016	70%	80%
Planet and society barometer at 31/12/2016	15%	100%
ROCE 2015-2016	15%	0%
<b>Total</b>	<b>100%</b>	<b>71%</b>
Number of shares delivered: 42,000 shares* 71%:		29,820 Shares
Date of delivery and availability <sup>(2)</sup> : March 27 2019		

(1) Plan subject to a two-year vesting period followed by a two-year holding period.

(2) Plan subject to a four-year vesting period.

An achievement rate of 80% was attained on the Adj. EBITA margin criteria, reflecting an average margin of 13.8% in 2015-2016, below the targeted 14.0% over the period. This margin was calculated at constant scope and after the impact from currencies which weighted on the margin by -0.3pt on average on the period.

Going forward, the objective of the 2016 plan will be Adj. EBITA margin, an average on a three-year period (2016-2018) of the achievement rates of annual Adjusted EBITA margin vs. targeted Adjusted EBITA margin rate set, for each year, by the board of directors of Schneider Electric which will be in line with the objectives usually communicated at the beginning of the year to investors.

No shares were granted under the ROCE performance condition, reflecting an average ROCE of 10.9% over the period 2015-2016, below the target of 11.5%.

The Planet & society barometer which measures the progress of the Group with regard to environmental sustainability and social responsibility across 14 indicators reached a level of 8,48. This strong performance

owed to the full mobilization of the organization enabled the fulfilment of the objective which was set to 100% at an index of 6. The details of the indicators and the performance achieved for each of them as well as the auditors' report will be provided in sections 2.6 and 2.7 of the 2016 Registration Document.

#### c) Other benefits of any type

- ♦ Mr. Tricoire was eligible to the employer matching contribution paid to subscribers to the capital increase reserved for employees, in an amount of €1,404 in 2016.
- ♦ Mr. Tricoire was eligible to profit-sharing in the amount of € 8,388 in 2016.
- ♦ Mr. Tricoire was eligible to the employer matching contribution paid to subscribers to the collective pension fund (PERCO) for the retirement of workers in France, in an amount of €800 in 2016.
- ♦ Mr. Tricoire's travel and business expenses are covered by the Group. Mr. Tricoire may use the cars made available to Group Senior Management with or without chauffeur services. He has a company car whose value of the benefit has been appraised at €13,408. He is not eligible to be reimbursed for other costs.

#### d) Additional cash benefit as part of the build-up of a pension

We remind you that at its February 18, 2015 meeting, the Board of Directors decided in order to reduce the corporate officers' pension build-up cost for the company to withdraw the entitlement to a defined benefit pension plan for corporate officers granted to French executives ("Article 39") and to substitute an additional payment in order to take into account that they must take personal responsibility for building up their pensions.

With a view to ensuring consistency and historic comparability with other French or international companies, these payments are not considered to be components of compensation but rather cash benefits.

As part of the complementary payment for 2016 in order to build up his pension and in execution of the decision of the Board of Directors of February 16, 2015, Mr. Tricoire collected:

- ♦ A fixed amount of **€182,000**, and
- ♦ A variable amount of **€306,160**, calculated by applying a percentage of the above target achievement to base salary assigned to him as determined for the calculation of his variable compensation ( $€182,000 * 130% * 129.40%$ ).

Based on calculations done by an actuary consultant appointed for that purpose, continuing the "Article 39" pension plan would have represented a cost of €643,299 for the Group for the 2016 fiscal year. The adoption of a new plan has therefore enabled the Group to save **€155,138** in 2016 in relation to the pension build-up of its Chairman and CEO.

It should be noted that Mr. Tricoire committed to depositing this additional payment, after taxes, into investment vehicles dedicated to the supplementary financing of his pension.

## II.2 Deputy Chief Executive Officer – Mr. Emmanuel Babeau

The tables below sum up the compensation owed or granted to Mr. Babeau for the 2016 fiscal year in pursuance of the authorization given by the board on 16 February 2016; each component is detailed in the sections below.

**Table 1: Reported compensation and benefits (presented in accordance with AFEP-MEDEF recommendation)**

<b>Emmanuel BABEAU</b>	Amounts due for the fiscal year 2016		Amounts due for the fiscal year 2015	
<b>Deputy CEO (in euros)</b>				
<b>A- CASH COMPENSATION</b>				
Base salary	605,000	21%	550,000	19%
Annual incentive	782,870	28%	542,208	19%
Attendance fees	-		-	
<b>SUB TOTAL (A) (CASH COMPENSATION)</b>	<b>1,387,870</b>		<b>1,092,208</b>	
<b>B- BENEFITS IN KIND</b>				
Value of the performance shares granted in 2016 <sup>(1)</sup>	1,116,180 <sup>(2)</sup>	40%	1,545,726 <sup>(3)</sup>	53%
Fringe benefit (car)	13,197		14,881	
<b>SUB TOTAL (B) (BENEFITS IN KIND)</b>	<b>1,129,377</b>		<b>1,560,607</b>	
<b>TOTAL (A)+(B) (PACKAGE WITHOUT PENSION CASH BENEFIT)</b>	<b>2,517,247</b>		<b>2,652,815</b>	
<b>C- PENSION CASH BENEFIT</b>				
Complementary payment for pension building (fixed amount)	136,400		124,000	
Complementary payment for pension building (variable amount)	176,502		122,243	
<b>SUB TOTAL (C) (PENSION CASH BENEFIT)</b>	<b>312,902</b>	<b>11%</b>	<b>246,243</b>	<b>8%</b>
<b>TOTAL (A)+(B)+(C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)</b>	<b>2,830,149</b>	<b>100%</b>	<b>2,899,058</b>	<b>100%</b>
<b>Reminder– one-off lump sum payment to build up a pension<sup>(4)</sup></b>				
	N/A		<b>1,300,000</b>	
In cash			870,000	
In free shares <sup>(5)</sup>			430,000	

(1) Because the earnings on these shares are subject to the achievement of the performance conditions, this is neither compensation that is actually collected during the fiscal year nor compensation that is assured in its principle or amount. Their distribution is valued based on the method recommended by standard IFRS2.

(2) Valuation of 7,800 shares allocated under Plan no. 25 and of 18,200 shares under Plan no. 26, see paragraph II.2.b) below, that is, 7,800 shares \* €42.30 + 18,200 shares \* €43.20 = €1,116,180.

(3) Valuation of 7,800 shares allocated under Plan no. 21 and of 18,200 shares under Plan no. 22, see paragraph above, that is, 7,800 shares \* €60.76 + 18,200 shares \* €58.89 = €1,545,726.

(4) During the February 18, 2015 meeting, the Board of Directors eliminated the entitlement to an additional pension with defined benefits ("Article 39"), to the eligible corporate officers, giving them responsibility for building up their pensions, and also authorized this one-time lump-sum payment that is released, for Mr. Babeau, 60% in cash and 40% in free shares, accompanied by a holding period of the shares. The details on the replacement mechanism and the impact of the Board of Directors' decisions on the company are outlined in the 2015 Registration Document (page 293 et seq.). This amount is isolated so as to avoid any distortion of comparative analyses.

(5) Allocation of 2,325 free shares under Plans no. 19 a and b and 5,425 free shares under Plans no. 20 a, b and c, shares that, until their delivery, are valued based on the statistical method recommended by standard IFRS2 (see 2015 Registration Document, page 162).

Table 2: Realised compensation and benefits (presented in accordance with US standards)

Emmanuel BABEAU	Amounts due for the fiscal year 2016		Amounts due for the fiscal year 2015	
<b>Deputy CEO (in euros)</b>				
<b>A- CASH COMPENSATION</b>				
Base salary	605,000	21%	550,000	23%
▪ Annual incentive	782,870	26%	542,208	22%
Attendance fees	-		-	
<b>SUB TOTAL (A) (CASH COMPENSATION)</b>	<b>1,387,870</b>		<b>1,092,208</b>	
<b>B- BENEFITS IN KIND</b>				
Value of the performance shares realised in 2016	1,220,391 <sup>(1)</sup>	41%	1,065,916 <sup>(2)</sup>	44%
Fringe benefit (car)	13,197		14,881	
<b>SUB TOTAL (B) (BENEFIT IN KIND)</b>	<b>1,233,588</b>		<b>1,080,797</b>	
<b>TOTAL (A)+(B) (PACKAGE WITHOUT PENSION CASH BENEFIT)</b>	<b>2,621,458</b>		<b>2,173,005</b>	
<b>C- PENSION CASH BENEFIT</b>				
Complementary payment for pension building (fixed amount)	136,400		124,000	
Complementary payment for pension building (variable amount)	176,502		122,243	
<b>SOUS TOTAL (C) (RETRAITE)</b>	<b>312,902</b>	11%	<b>246,243</b>	10%
<b>TOTAL (A)+(B)+(C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)</b>	<b>2,934,359</b>	<b>100%</b>	<b>2,419,248</b>	<b>100%</b>
<b>Reminder– one-off lump sum payment to build up a pension <sup>(3)</sup></b>				
	N/A		<b>1,412,576</b>	
In Cash			870,000	
In Free shares <sup>(4)</sup>			542,576	

(1) Valuation of the shares of Plan nos. 21 and 22 allocated in 2015, the performance measures of which during the 2015-2016 fiscal years led to the application of a 29% discount in relation to the number of shares originally allocated. These shares are valued at the price recorded at the closing of fiscal year 2016, i.e. €66.11, that is, 26,000 shares \* achievement rate 71% \* €66.11 = €1,220,391. See paragraph II.2.b) below.

(2) Valuation of shares from Plan no. 17 allocated in 2014, the performance measures of which during the 2014-2015 fiscal years led to the application of a 22% discount in relation to the number of shares originally allocated. These shares are valued at the price recorded at the closing of fiscal year 2015, i.e. €52.56, that is, 26,000 shares \* achievement rate 78% \* €52.56 = €1,065,916. See paragraph II.2.b) below.

(3) During the February 18, 2015 meeting, the Board of Directors eliminated the entitlement to an additional pension with defined benefits ("Article 39"), to the eligible corporate officers, giving them responsibility for building up their pensions, and also authorized this one-time lump-sum payment that is released, for Mr. Babeau, 60% in cash and 40% in free shares accompanied by a holding period of the shares. The details on the replacement mechanism and the impact of the Board of Directors' decisions on the company are outlined in the 2015 Registration Document (page 293 et seq.). This amount is isolated so as to avoid any distortion of comparative analyses.

(4) Allocation of 2,325 free shares under Plans no. 19 a and b and 5,425 free shares under Plans no. 20 a, b and c. These shares are valued at the price on the allocation date, February 18, 2015, i.e. €70.01, that is, 7,750 shares \* € 70.01 = € 542,576.

### a) Base salary and annual incentive

- ◆ Base salary

In accordance with the Board of Directors' decision of February 16, 2016, Mr. Babeau was paid **€605,000**.

In 2016, the base salary of Emmanuel Babeau, which had not been reviewed since 2013, has been increased from €550,000 to €605,000. The 10% increase represents an average salary progression of around 3% per annum over the last three years and reflects his expanded responsibility over the period, notably an increased role in leading the integration of key-acquisitions such as Invensys and the supervision of certain specific regions. The pension contribution has been adjusted accordingly to take this evolution into account.

- ◆ Annual incentive

After analysis of the targets achievement that had been assigned to him by the Board of Directors in its meeting dated February 16, 2016, on the proposal from the Governance and Remuneration Committee and based on forecasts announced to the market, it ensued that Mr. Babeau's variable compensation was set at 129.40% of the target amount, i.e., **€ 782.870**.

The table below provides a breakdown of the calculation of the 2016 variable compensation according to the methods and criteria defined by the Board of Directors, the rate of achievement of which was recorded by the Board of Directors on February 15, 2017:

		On-target payment	Achievement rate - base 100	Actual payout	
				In % of base salary	Amount (Euros)
<b>60%</b>	<b>Economic Criteria</b>				
	40%	<b>Group Financial indicators</b>			
	13.33%	13.33%	155%	20.70%	125 033
	13.33%	13.33%	200%	26.70%	161 333
	13.33%	13.33%	200%	26.70%	161 333
	20%	<b>Company program priorities</b>			
	6.67%	6.67%	135%	9%	54 450
	6.67%	6.67%	0%	0%	0
	6.67%	6.67%	0%	0%	0
<b>20%</b>	<b>Non economic Criteria</b>				
	10%	10%	64%	6.40%	38 720
	10%	10%	200%	20%	121 000
<b>20%</b>	<b>Individual assessment by the Board</b>				
	20%	20%	100%	20%	121 000
<b>100%</b>	<b>Total</b>	100%	129.40%	129.40%	782 870

As a reminder, the variable compensation may range from 0% to 200% of base salary, where 0% corresponds to the minimum target achievement, short of which the corresponding portion of the variable compensation is zero; 100% corresponds to the achievement of the targets set; and 200% corresponds to the cap allocated in the event that the targets are surpassed. The progression of the amount between these two limits is linear.

COMMENT ON THE ACHIEVEMENT RATE ON 2016 OBJECTIVES

The rate of achievement per objective is discussed in the section on Mr. Tricoire's compensation in paragraph II.1.a) above.

The individual objectives assigned by the Board of Directors to Mr. Babeau for 2016 included specific contributions in relation to the following projects:

- ◆ Monetisation of the digital transition; and
- ◆ The implementation of a specific HR program.

The other objectives will not be disclosed at this stage, as it may harm the interest of the company.

- ◆ Multiplier

For the reasons explained in paragraph II.1.a) above, the application of the multiplier is without impact on Mr. Babeau's compensation and the mechanism is not being pursued.

**b) Performance shares**

- ◆ On a reported basis: Performance shares granted in 2016 presented in accordance with AFEP-MEDEF recommendation

As part of the long-term profit-sharing plan granted to the executives for 2016, Mr. Babeau had been granted 26,000 performance shares, the performance criteria of which are detailed below:

Plan No. 25	Weight	Date or performance period
Adjusted EBITA 2016-2018	40%	2016-2018
Group Cash conversion rate	25%	2016-2018
Planet and Society barometer at 31/12/2018	20%	31/12/2018
TSR objective <sup>(3)</sup>	15%	2016-2018
<b>Total</b>	<b>100%</b>	
Number of shares granted: 7,800 shares (plan 25) et 18,200 shares (plan 26)		
Date of delivery <sup>(1)</sup> : March 27 2019		
Date of availability <sup>(1)</sup> : March 27 2021		

Plan No. 26	Weight	Date or performance period
Adjusted EBITA 2016-2018	40%	2016-2018
Group Cash conversion rate	25%	2016-2018
Planet and Society barometer at 31/12/2018	20%	31/12/2018
TSR objective <sup>(3)</sup>	15%	2016-2018
<b>Total</b>	<b>100%</b>	
Number of shares granted: 7,800 shares (plan 25) et 18,200 shares (plan 26)		
Date of delivery and availability <sup>(2)</sup> : March 27 2020		

(1) Plan subject to a three-year vesting period followed by a two-year holding period.

(2) Plan subject to a four-year vesting period (three-year performance period + one-year acquisition).

(3) Comparison panel: ABB, Legrand, Schneider Electric, Siemens in Europe; Eaton, Emerson, Honeywell, Johnson Control, Rockwell Automation in the USA; Fuji Electric, Mitsubishi Electric, Yokogawa in Asia (cf. 2015 Registration document, p. 304).

The targets, bounds and performance evaluation criteria will be detailed in the 2016 Registration Document (chapter 8.1, 5<sup>th</sup> and 6<sup>th</sup> resolutions).



According to the method recommended by IFRS2 standards, the accounting valuation of these potential allocations that are still subject to performance conditions is the following:

	Nb. Shares	IFRS value per share	Global hypothetical valuation
Plan No. 25	7,800	42.3	€ 329,940
Plan No. 26	18,200	43.2	€ 786,240
			<b>€ 1,116,180</b>

The number of shares granted to Mr. Babeau under Plan nos. 25 and 26 represents 0.8% of the total of the aforementioned plans.

As these shares are subject to the achievement of the performance targets at the end of a multi-year period, there are no grounds to presume either the number of shares that ultimately vest, which will depend on the Group's performance, or the corresponding value, which will depend on the stock price evolution. In any circumstances and whatever his performance, Mr. Babeau cannot receive more than the number of shares granted to him.

- ♦ On a realised basis: Performance shares deemed acquired for which the level of achievement of the vesting criteria is determined on December 31, 2016

At its February 15, 2017 meeting, on a recommendation from the Human Resources and CSR Committee and after obtaining the opinion of the Governance and Remuneration Committee, the Board of Directors determined the achievement rate of the performance conditions of Plans nos. 21 and 22 granted in 2015, the performance period of which closed on December 31, 2016. Mr. Babeau had potentially been granted 7,800 shares under Plan no. 21 and 18,200 shares under Plan no. 22.

The rate of target achievement was settled on by the board at **71%**, i.e., a reduction rate of **29%** in relation to the number of shares originally allocated.

In line with the principle of variability described above, and subject to adherence to the other conditions of the plans, particularly with regard to affiliation with the Group and keeping of the shares, Mr. Babeau is therefore entitled to receive 5,538 Schneider Electric shares under Plan no. 21 and 12,922 Schneider Electric shares under Plan no. 22, representing 0.9% of the total of the plans in question. These shares are valued at the stock price as of 2016 year-end, i.e. €66.11.

Plan No. 21	Weight	Achievement rate
Adjusted EBITA 2015-2016	70%	80%
Planet and society barometer at 31/12/2016	15%	100%
ROCE 2015-2016	15%	0%
<b>Total</b>	<b>100%</b>	<b>71%</b>
<b>Number of shares delivered: 7,800 shares*71%:</b>		<b>5,538 shares</b>
<i>Date of delivery <sup>(1)</sup>: March 27 2017      Date of availability<sup>(1)</sup>: March 27 2019</i>		

Plan No. 22	Weight	Achievement rate
Adjusted EBITA 2015-2016	70%	80%
Planet and society barometer at 31/12/2016	15%	100%
ROCE 2015-2016	15%	0%
<b>Total</b>	<b>100%</b>	<b>71%</b>
<b>Number of shares delivered: 18,200 shares* 71%:</b>		<b>12,922 Shares</b>
<i>Date of delivery and availability <sup>(2)</sup>: March 27 2019</i>		

(1) Plan subject to a two-year vesting period followed by a two-year holding period.

(2) Plan subject to a four-year vesting period.

The assessment of the performance has been commented in paragraph II.1.b) above.

**c) Other benefits of any type**

- ♦ Mr. Babeau was eligible to profit-sharing in the amount of € 7,246 in 2016.
- ♦ Mr. Babeau was eligible to the employer matching contribution paid to subscribers to the capital increase reserved for employees, in an amount of €700 in 2016.
- ♦ Mr. Babeau's travel and business expenses are covered by the Group. Mr. Babeau may use the cars made available to Group Senior Management with or without chauffeur services. He has a company car.

**d) Additional cash benefits as part of the build-up of a pension**

We remind you that at its February 18, 2015 meeting, the Board of Directors decided in order to reduce the corporate officers' pension build-up cost for the company to withdraw the entitlement to a defined benefit pension plan for corporate officers granted to French executives ("Article 39") and to substitute an additional payment in order to take into account that they must take personal responsibility for building up their pensions.

With a view to ensure consistency and historic comparability with other French or international companies, these payments are not considered to be components of compensation but rather cash benefits.

As part of the complementary payment for 2016 in order to build up his pension and in execution of the decision of the Board of Directors of February 16, 2016, Mr. Babeau received:

- ♦ A fixed amount of **€136,400**, and
- ♦ A variable amount of **€176,502**, calculated by applying a percentage of the above target achievement to base salary assigned to him as determined for the calculation of his variable compensation ( $€136,400 * 100\% * 129.40\%$ ).

Based on calculations done by an actuary consultant appointed for that purpose, continuing the "Article 39" pension plan would have represented a cost of €582,511 for the Group for the 2016 fiscal year. The adoption of a new plan has therefore enabled the Group to save **€269,609** for 2016 on building up the pension of its Deputy CEO.

It should be noted that Mr. Babeau committed to depositing this additional payment, after taxes, into investment vehicles dedicated to the supplementary financing of his pension.