Information on the compensation of corporate officers - 2017

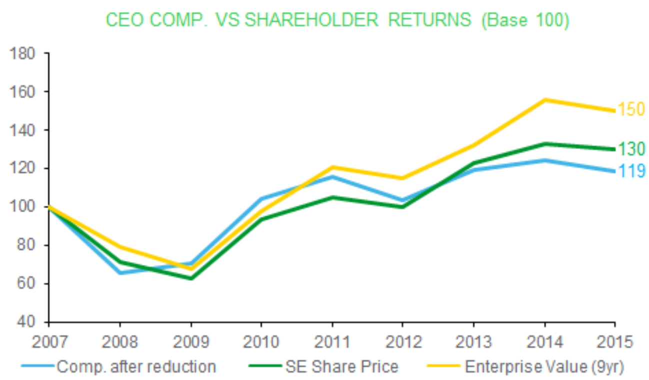
In accordance with the AFEP-MEDEF Code

In accordance with the provisions of the Article L. 225-37-2 of the French Commercial Code, the Board of Directors has set, subject to the approval of the April 25, 2017 Shareholders' Meeting, the principles and criteria for determining, allocating and granting the components of the compensation and benefits of all types that may be granted to the Corporate Officers, i.e. the Chairman and CEO, Mr. Jean-Pascal Tricoire, and the Deputy CEO, Mr. Emmanuel Babeau, for all the offices that they would hold in Schneider Electric Group's entities in 2017.

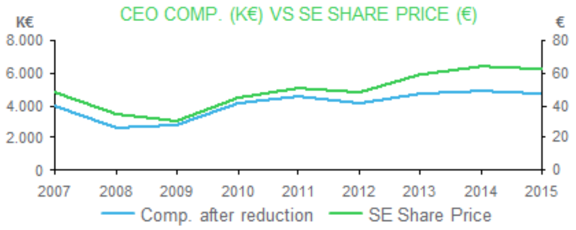
POSITIONING IN RELATION TO THE COMPANY'S PERFORMANCE

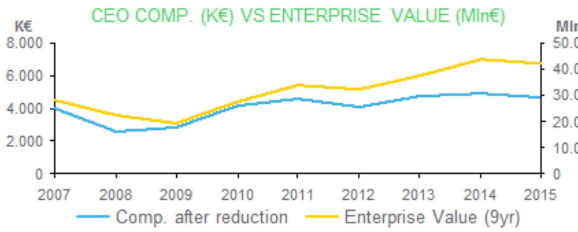
In order to enable shareholders to assess the alignment between the company's performance and that of the compensation of the executives, the graphs below illustrate (base = 100) the change in the compensation of Schneider Electric's corporate officers compared to the change in the enterprise value and the stock price. The theoretical position of the 2017 compensation is based on an assumption of 100% target achievement.

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

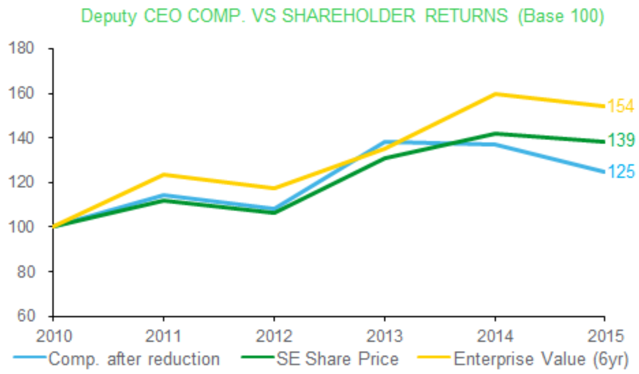


Note: the 'compensation after reduction' includes:
- The base salary
- The short term incentive earned for the year in reference
- The value at grant (IFRS) of the long term incentive (performance shares/stock options) granted on the year in reference, multiplied by the actual achievement rate.





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



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- The base salary
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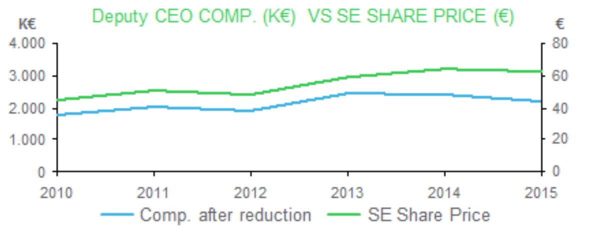
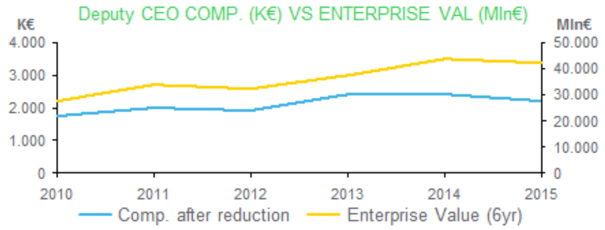




I. Principles for determining, allocating and granting the components of the compensation and benefits of all types that may be granted to the corporate officers in 2017 ("Package")

Based upon the recommendation from the Governance and Remuneration Committee, Schneider Electric's Board of Directors decided at its February 15, 2017 meeting to pursue the compensation policy applied in 2016 to the Group's corporate officers.

Four major guiding principles arise from this policy:

- **Around 80% of the target package is variable**
- **50% of the target package is granted in long term benefit in the form of performance shares**
- **The number of shares granted as long-term equity incentive is capped**
- **The performance criteria are mainly economic and include a measurable, disclosed and audited social and environmental component, as well as a component linked to the fulfilment of the Strategic Plan.**

After re-examining the suitability and fairness of the policy, the Board of Directors reiterated the following principles:

- **Competitive** package in relation to the median range of a peer group made of 24 French and international companies that are comparable to Schneider Electric or that represent a potential source of recruitment or attrition, re-examined on a multi-year basis (2012 selection re-examined in 2016 and detailed in the 2016 Registration Document, section 3.7). In order to ensure that it does not deviate from the market, the board is also assessing Schneider Electric's position in reference to indices, namely to the top quartile of the CAC40 and the median of the Stoxx Europe 50, in line with the Group's position within these indices.

- Package structured with a view to **rewarding executives' performance**:

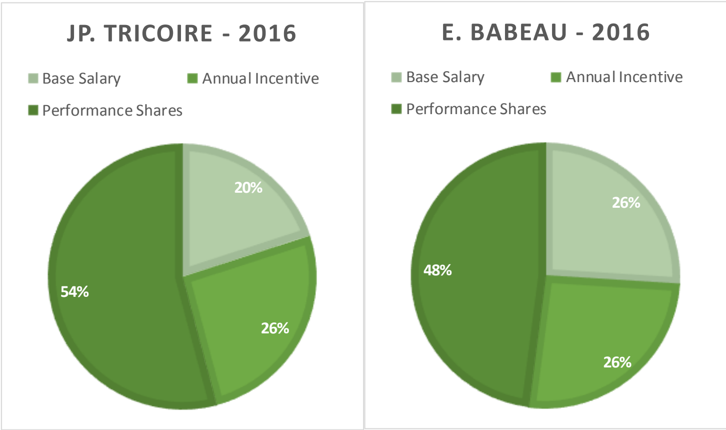
  - With a prevalence of **variable** pay components which make up around 80% of the Package on target;

  - Performance evaluated via criteria that are mainly **economic** (70% or more of the variable cash compensation and 80% of the multi-year performance shares) and **measurable** (80% or more of the variable cash compensation and 100% of the performance shares) which are selected based upon (i) the KPIs used in the market communication and (ii) the drivers of the Group's strategy;

  - Ensuring that Financial and Sustainability & Transformation objectives are fairly balanced and distributed between short-term (STIP) and medium-term (LTIP) components, in such a manner that the orientations adopted by the corporate officers take into consideration both dimensions.

- **Alignment 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 nature of the performance criteria and required performance reflect the short- and medium-term ambitions conveyed to the shareholders. The performance factors defined by the Board enable the Group to offer a lasting and satisfactory development outlook for all the stakeholders in the company's success.

The performance levels required by the board to reach each target are set at the beginning of the year or the period as the case may be, and are not adjusted later on.

The individual qualitative and/or quantitative targets are also determined by the board at the beginning of the year based on the goals of the strategic plan and the contribution that the corporate executive is requested to make to these goals. Based on the circumstances and priorities, the targets also encompass risks that would have been raised by the Audit Committee and the recommendations of the Governance and Remuneration Committee and the Human Resources and CSR Committee. In the highly competitive environment in which Schneider Electric operates, it could be harmful for the Group to disclose all these objectives in details. 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.

In accordance with the provisions of Article L.225-37-2 of the French commercial code, these principles and the criteria detailed below shall be submitted for approval to the shareholders at the April 25, 2017 Shareholders' Meeting.

II. Criteria for determining, allocating and granting the components of the compensation and benefits of all types that may be granted to the corporate officers for 2017

Following the principles set out above, Schneider Electric's Board of Directors has decided to uphold both the structure and the amounts of compensation and benefits of any type granted or allocated to the corporate officers in 2016, adjusting the assessment criteria to the Group's strategic priorities for 2017 and to the investors' observations.

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

The tables below sum up the compensation elements and benefits of all kinds that may be granted to Mr. Tricoire for the 2017 fiscal year; 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 attributable to fiscal year 2017**	**Amounts due for fiscal year 2016**	***Component weight***
Chairman and CEO *(in euros)*			
A- CASH COMPENSATION			
Base salary	950,000	950,000	*17%*
Annual incentive *(at target)*	1,235,000 (1)	1,598,090	*28%*
Attendance fees	0	0	
SUB TOTAL (A) (CASH COMPENSATION)	**2,185,000**	**2,548,090**	
B- BENEFITS IN KIND			
Valuation of the performance shares granted in the financial year 2017	[60,000 shares] (2)	2,575,800 (3)	*46%*
Fringe benefit *(car)*	13,408	13,408	
SUB TOTAL (B) (BENEFIT IN KIND)	**13,408 + [60,000 shares]**	**2,589,208**	
TOTAL (A)+(B) (PACKAGE WITHOUT PENSION)	**2,198,408 + [60,000 shares]**	**5,137,298**	
C- PENSION CASH BENEFIT			
Complementary payment for pension building *(fixed amount)*	182,000	182,000	
Complementary payment for pension building *(variable part) (at target)*	236,600 (4)	306,160	
SUB TOTAL (C) (PENSION CASH BENEFIT)	**418,600**	**488,160**	***9%***
TOTAL (A)+(B)+(C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**2,617,008 + [60,000 shares]**	**5,625,458**	***100%***

(1) Target amount, i.e. 130% of the fixed component.

(2) Since the allocation of these shares is entirely dependent on attaining Group performance criteria it is neither a compensation actually received during the fiscal year nor a definitive compensation in principle or in amount. The allocation of the shares is valued according to the method prescribed by IFRS2. This valuation will only be available when the plan is granted by the Board of Directors in March 2017, and will cover 18,000 shares granted under Plan 28 and 42,00 shares under Plan 29 (cf. para. II.1.2.a) below).

*(3) Since the benefit of these shares is subject to the achievement of performance conditions, this is neither a compensation actually received during the fiscal year nor certain compensation in principle or amount. Their allocation is valued according to the method prescribed by IFRS2:18,000 shares allocated under Plan 25 and 42,000 shares under Plan 26, i.e. 18,000 shares * € 42.3 + 42,000 shares * € 43.2 = € 2,575,800.*

(4) Target amount, i.e. 130% of the fixed component.

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

The table below shows the actual compensation of the corporate officers. 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 price on the last day of the performance period (in this case, the price at December 30, 2016).

Jean-Pascal TRICOIRE	**Amounts attributable to fiscal year 2017**	**Amounts due for fiscal year 2016**	***Component weight***
Chairman and CEO *(in euros)*			
A- CASH COMPENSATION			
Base salary	950,000	950,000	*16%*
Annual incentive *(at target)*	1,235,000 (1)	1,598,090	*28%*
Attendance fees	0	0	
SUB TOTAL (A) (CASH COMPENSATION)	**2,185,000**	**2,548,090**	
B- BENEFITS IN KIND			
Valuation of the performance shares realised in the financial year 2017	N/A (2)	2.816,286 (3)	*48%*
Fringe benefit *(car)*	13,408	13,408	
SUB TOTAL (B) (BENEFIT IN KIND)	**13,408**	**2,829,694**	
TOTAL (A)+(B) (PACKAGE WITHOUT PENSION)	**2,198,408**	**5,377,784**	
C- PENSION CASH BENEFIT			
Complementary payment for pension building *(fixed amount)*	182,000	182,000	
Complementary payment for pension building *(variable part) (at target)*	236,600 (4)	306,160	
SUB TOTAL (C) (PENSION CASH BENEFIT)	**418,600**	**488,160**	*8%*
TOTAL (A)+(B)+(C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**2,617,008**	**5,865,944**	***100%***

(1) Target amount, i.e. 130% of base salary.

(2) Following the extension of the performance period of two to three years in 2016, there are no performance conditions to be recognised in 2017 and the line devoted to performance shares realised in 2017 is not applicable.

*(3) Valuation of the shares of Plans No. 21 and 22 granted in 2015 and whose performance measurement for the fiscal years 2015-2016 resulted in a 29% discount on the number initially granted. These shares are valued at the price recorded at the end of 2016 of € 66.11, that is, 60,000 shares * achievement rate 71% * € 66.11 = €2,816,286 (See para. II.1. 2.a) below).*

(4) Target amount, i.e. 130% of base salary.

II.1.1 Allocation criteria for cash compensation

a) Base salary

Mr. Tricoire shall be paid a base salary of **€950,000**, which remained unchanged since he assumed his duties as Chairman and CEO in 2013.

b) Annual incentive

The target variable compensation, which has also remained unchanged since 2015, has been set at **130% of the base salary** – i.e., €1,235,000 – for a 100% rate of target achievement. The target variable compensation may **not exceed 260%** of the base salary. Hence it may range from 0% to 260%, where 0% corresponds to the minimum target achievement, short of which the corresponding portion of the variable compensation is zero, 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.

The table below details the various performance criteria and their weighting:

		Weight of the component
75%	**Economic Criteria**	
60%	**Group Financial indicators**	
	Organic Growth of the Group	30%
	Adjusted EBITA	20%
	Group cash conversion rate	10%
15%	**Company program priorities**	
	Field Services (without process automation) Sales growth	5%
	Systems Gross Margin (Projects & Equipments)	5%
	Digital Index*	5%
5%	**Non economic Criteria**	
	Planet & Society barometer	5%
20%	**Individual assessment by the Board**	
	Individual goals determined by the board vbased on the company's strategic plan	20%
100%	**Total**	100%

* *The precise nature of this criteria is not disclosed to protect business confidentiality*

For any target that would have been disclosed to the shareholders on one of these criteria, the achievement criterion shall be consistent with the disclosed target.

c) Attendance fees

Mr. Tricoire has waived the attendance fees to which he is entitled in his capacity of Chairman of the Board of Directors in pursuance of the distribution rules adopted by the board.

II.1.2 Criteria for allocating benefits of any type (excluding additional benefits in accordance with the building up of a pension)

a) Performance shares

In order to align the interests of the Group's executives to those of the shareholders, the Board of Directors is allocating performance shares to more than 2,000 beneficiaries who hold positions as Group executives. These shares are subject to a set of performance criteria that are measured over the long-term and combine financial indicators (65%-70%), return on investment with the TSR objective or the ROCE (15%) and sustainable development (15%-20%).

For corporate officers and other members of the Executive Committee, the allocation of shares is fully subject to the achievement of these performance conditions, in such a way that the performance shares represent about half of the Package that is allocated to them.

These performance shares are vested at the end of a performance period that may be followed by a holding period for the Corporate Officers.

In accordance with the policies set out above, the Board of Directors, in its February 15, 2017 meeting, adopted the policy of allocating performance shares as part of the long-term profit-sharing plan for 2017 that will be finally implemented by the Board of Directors in March 2017.

In keeping with the previous plans, the board adopted the policy of allocating to its Chairman and CEO, Jean-Pascal Tricoire, **18,000 performance shares** as part of Plan no. 28 (to come), and **42,000 performance shares** as part of Plan no. 29 (to come). The volume of the distribution was set with consideration for:

- the total volume of the previous plans, with a view toward continuity of the incentive policy for executives;
- the number of shares allocated to other Group executives who are eligible to the same multi-year profit-sharing plan: for 2017, the number of shares that may be allocated to Mr. Tricoire in accordance with Plan nos. 28 and 29 would therefore make up 2.4% of the total of the aforementioned plans; and
- the resulting cost for the company.

In order to strengthen the alignment of executive compensation to the shareholders' long-term fundamental interests, the final allocation of the performance shares is determined since 2016 by the achievement of the assessed targets over a three-year period. Further, the shares in Plan no. 28 (to come), which are granted only to the corporate officers, will also be subject to a one-year holding period on top of the three-year vesting period.

These targets are:

- for 40%, a target operating margin of Adjusted EBITA for the 2017-2019 period,
- for 25%, a cash conversion target for the 2017-2019 period,
- for 15%, a TSR (Total Shareholder Return) target linked to Schneider Electric's ranking in a panel of 12 companies by the end of 2019,
- for 20%, a level of achievement of the Planet & Society Barometer on the period 2017/2019.

The target values of each of these objectives and the vesting rules are set by the board based on the forecasts disclosed to the market and shall be detailed in the board's report at the Shareholders' Meeting.

According to the methodology prescribed by the AFEP-MEDEF Code (see **Table 1** above), the benefits in kind to be reported for a fiscal year cover the performance shares granted during this same fiscal year, the performance period of which, by definition, has not elapsed. The total value will be known after the Board of Directors' meeting in March 2017 and shall correspond to the total number of shares granted, before discount on account of performance, multiplied by the unit value of the share as determined by expert actuaries in accordance with IFRS2 standards.

In order to facilitate the analyses, the benefits of all types are also presented and assessed in realised value, where the performance shares computed in the annual compensation for a given year shall comprise the shares deemed vested under plans granted in the previous years for which the rate of achievement of the performance conditions has been measured at the year-end of the past exercise (see **Table 2** above). Following the extension in 2016 of the performance period from two to three years, there are no performance conditions to record in 2017, and the amount dedicated to performance shares deemed vested in 2017 is in the annual compensation and is therefore not applicable.

b) Other benefits of any type allocated to Mr. Tricoire in his capacity of Chairman and CEO

- Mr. Tricoire is eligible to the employer matching contribution paid to subscribers to the capital increase reserved for employees. For information, this amount was €1,404 in 2016.

- Mr. Tricoire is eligible to the profit sharing. For information, this amount was €8,388 in 2016.

- Mr. Tricoire is eligible to the employer matching contribution paid to subscribers to the collective pension fund (PERCO) for the retirement of workers in France. For information, this amount was €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 has been appraised at €13,408. He is not eligible to be reimbursed for other costs.

c) Additional benefits as part of the build-up of a pension

The Board of Directors upheld the principles and amounts as defined in its decision on February 18, 2015, to determine additional payments issued in order to take into account the fact that Mr. Tricoire must take personal responsibility for building up his pension:

- a fixed amount of **€182,000**, and

- a variable amount of **€236,600** calculated by applying a percentage of the above target achievement to base salary assigned to him as determined by the calculation of his variable compensation.

The withdrawal of the "Article 39" pension plan and the implementation of these complementary payments cut the Group's total cost for pensions of executive officers by two-thirds: this cost dropped from €48 million to €15 million, including the taxes and ancillary benefits in force when the decision was taken.

It should be noted that the corporate officers committed to depositing this additional payment, after taxes, into investment vehicles dedicated to financing their pensions.

II.1.3 Components of the status which will be subject to the approval of the Shareholders' Meeting in accordance with regulatory agreements

The benefits described above were granted to Mr. Tricoire when he was appointed Chairman and CEO at the end of the April 25, 2013 Shareholders' Meeting and subsequently approved at the 2014 Shareholders' Meeting. As his term is up for renewal at the next Shareholders' Meeting on April 25, 2017, the components of his status will be subject to a new regulatory agreement, the terms of which shall be set by the Board of Directors after the renewal of his term and subject to approval by the Shareholders' Meeting called to approve the financial statements for the fiscal year ended December 31, 2017. In line with the policy of renewing the regulations that were applicable in 2016, the Board of Directors plans to substantially reiterate the components below in the new status of the Chairman and CEO.

a) Involuntary termination benefit

Mr. Tricoire is eligible to involuntary termination benefits in the event of a change of control or strategy.

Involuntary termination benefits depend on the average rate of achievement of the Group's targets (as separate from individual performance objectives) used to determine the performance incentive for the last three fiscal years preceding the date of the board meeting at which the decision is made.

Involuntary termination benefits shall not be due in the event that Mr. Tricoire is terminated as a result of serious or gross misconduct.

b) Non-compete benefit

In the event of the termination of the Chairman and CEO and aside from the case of voluntary resignation described below, the Board of Directors shall decide on the enforcement of the previously established non-compete agreement and, consequently, on the allocation to Mr. Tricoire of a non-compete benefit for a one-year term, capped at 6/10 of the average of his gross compensation (monthly average of the total gross cash compensation, i.e., including additional payments, both fixed and target variable) during the last twelve months of employment.

In the event of resignation on his initiative (excluding involuntary termination), Mr. Tricoire is bound by a non-compete obligation, and his entitlement to compensation is subject to the same performance conditions as those to which the payment of the involuntary termination benefit is subject, and to the additional condition that Mr. Tricoire is not or will not be entitled to or in a position to combine the non-compete benefit with a retirement allowance.

In accordance with the AFEP-MEDEF Code, the total maximum amount of the involuntary termination benefits and the non-compete compensation, where necessary, is capped at double the average of the actual fixed and variable cash compensation of the last three years (including additional annual payments) that is authorized by the Board of Directors.

c) Right to hold on shares and options

In the event of an involuntary termination during the vesting period or before the exercise of stock-options that would have been granted to him, Mr. Tricoire may hold on to the free or performance shares and stock options for which he may have been eligible, subject to two conditions: (i) the average of the rate of achievement of the Group's targets (as separate from individual targets), which determine Mr. Tricoire's variable compensation for the last three fiscal years before his departure, is two-thirds or more of the target, and (ii) Mr. Tricoire is not terminated as a result of serious or gross misconduct.

d) Medical insurance and welfare plan

As a corporate officer, Mr. Tricoire is eligible to:

(i) The collective welfare plan applicable to employees of Schneider Electric SE and Schneider Electric Industries SAS covering the risks of illness, incapacity, disability and death;

(ii) Additional coverage of the Group's French executives for risks of illness, incapacity, disability and death. The main features of this coverage are:

1) In case of illness or accident resulting in a temporary stoppage or incapacity (of any category), Mr. Tricoire shall be entitled to continue to receive 18 months' worth of his compensation (fixed and target variable) authorized by the board;

2) In case of death, the policyholder's beneficiaries shall be entitled to the compensation (fixed and target variable) authorized by the Board of Directors for the current month, along with a death benefit equal to six months of the average compensation authorized by the Board of Directors (monthly average of the fixed and variable compensation paid during the last 12 months of employment);

(iii) The entitlement to a life annuity pension paid to the surviving spouse in the event of death before his retirement, or if he left the company after the age of 55 without returning to work, equal to 60% of 25% of the average of compensation paid during the three years before the date of death, with a deduction made from the theoretical pension payment that may be obtained under insurance conditions from the additional payments that will have been made;

(iv) In the event of disability causing him to completely stop working, the right to pension payments (payable to the surviving spouse at a rate of 60%) beginning from his retirement equal to 25% of the average of the total cash compensation paid over the three years preceding the date of disability minus 1.25% per quarter of absence so as to obtain a full rate of pension and minus the amount of additional compensation that may be obtained under insurance conditions at the time the disability occurred; and

(v) In the event of an accident, the group insurance covering the executives' accident risk, stipulating the payment of a benefit the sum of which may be up to four times the annual compensation based on the type and circumstances of the accident.

Eligibility for benefits (ii) through (v) above is conditional on the fulfilment of one of the following conditions:

- the average of the net income of the last five fiscal years preceding the event is positive, and
- the average of the free cash flow of the last five fiscal years preceding the event is positive.

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

The tables below sum up the compensation elements and benefits of all kinds that may be granted to Mr. Babeau for the 2017 fiscal year; each component is detailed in the sections below.

Because the criteria and methods for determining the Package are identical to those that apply to Mr. Tricoire and are discussed in Section II.1 above, only the numerical terms that differ will be itemized.

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

Emmanuel BABEAU	**Amounts attributable to fiscal year 2017**	**Amounts due for fiscal year 2016**	***Component weight***
Deputy CEO *(in euros)*			
A- CASH COMPENSATION			
Base salary	605,000	605,000	*21%*
Annual incentive *(at target)*	605,000 (1)	782,870	*28%*
Attendance fees	-	-	
SUB TOTAL (A) (CASH COMPENSATION)	**1,210,000**	**1,387,870**	
B- BENEFITS IN KIND			
Valuation of the performance shares granted in the financial year 2017	[26,000 shares] (2)	1,116,180 (3)	*40%*
Fringe benefit *(car)*	13,197	13,197	
SUB TOTAL (B) (BENEFIT IN KIND)	**13,197 + [26,000 shares]**	**1,129,377**	
TOTAL (A)+(B) (PACKAGE WITHOUT PENSION)	**1,223,197 + [26,000 shares]**	**2,517,247**	
C- PENSION CASH BENEFIT			
Complementary payment for pension building *(fixed amount)*	136,400	136,400	
Complementary payment for pension building *(variable part)* *(at target)*	136,400 (4)	176,502	
SUB TOTAL (C) (PENSION CASH BENEFIT)	**272,800**	**312,902**	***11%***
TOTAL (A)+(B)+(C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**1,495,997 + [26,000 shares]**	**2,830,149**	***100%***

(1) Target amount, ie 100% of the base salary.

(2) Since the grant of these shares is entirely dependent on attaining Group performance criteria it is neither a compensation actually received during the fiscal year nor a definitive compensation in principle or in amount. The grant of the shares will be valued according to the method prescribed by IFRS2. This valuation will only be available when the plan is granted by the Board of Directors in March 2017, and will cover 7,800 shares granted under Plan 28 and 18,200 shares under Plan 29 (cf. para. II.2.2.a) below).

*(3) Since the benefit of these shares is subject to the achievement of performance conditions, this is neither a compensation actually received during the fiscal year nor certain compensation in principle or amount. Their allocation is valued according to the method prescribed by IFRS2: 18,000 shares granted under Plan 25 and 42,000 shares under Plan 26, i.e. 7 800 shares *42.3€ + 18 200 shares * 43.2€ = 1 116 180 €.*

(4) Target amount, ie. 100% of the base salary.

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

Emmanuel BABEAU	**Amounts attributable to fiscal year 2017**	**Amounts due for fiscal year 2016**	***Component weight***
Deputy CEO *(in euros)*			
A- CASH COMPENSATION			
Base salary	605,000	605,000	*21%*
Annual incentive *(at target)*	605,000 (1)	782,870	*26%*
Attendance fees	-	-	
SUB TOTAL (A) (CASH COMPENSATION)	**1,210,000**	**1,387,870**	
B- BENEFITS IN KIND			
Valuation of the performance shares realised in the financial year 2017	N/A (2)	1,220,391 (3)	*41%*
Fringe benefit *(car)*	13,197	13,197	
SUB TOTAL (B) (BENEFIT IN KIND)	**0**	**1,233,588**	
TOTAL (A)+(B) (PACKAGE WITHOUT PENSION)	**1,223,197**	**2,621,458**	
C- PENSION CASH BENEFIT			
Complementary payment for pension building *(fixed amount)*	136,400	136,400	
Complementary payment for pension building *(variable part) (at target)*	136,400 (4)	176,502	
SUB TOTAL (C) (PENSION CASH BENEFIT)	**272,800**	**312,902**	*11%*
TOTAL (A)+(B)+(C) (CASH COMPENSATION, BENEFITS IN KIND AND PENSION CASH BENEFIT)	**1,495,997**	**2,934,359**	***100%***

(1) Target amount, ie 100% of the base salary.

(2) Following the extension of the performance period of two to three years in 2016, there are no performance conditions to be recognized in 2017 and the line devoted to performance shares realised in 2017 is not applicable.

*(3) Valuation of the shares of Plans No. 21 and 22 granted in 2015 and whose performance measurement for the fiscal years 2015-2016 resulted in a 29% discount on the number initially granted. These shares are valued at the price recorded at the end of 2016 (€ 66.11), i.e. 26,000 shares * achievement rate 71% * € 66.11 = 1.220.391€ (See para. II.2.2.a) below).*

(4) Target amount, ie 100% of the base salary.

II.2.1 Allocation criteria for cash compensation

a) Base salary

Mr. Babeau shall be paid a base salary of **€605,000**, which is identical to what he was paid in 2016.

b) Annual incentive

The target variable compensation, which has also remained unchanged since 2014, has been set at **100% of base salary** – i.e., €605,000 – for a 100% rate of target achievement. The target variable compensation may **not exceed 200%** of base salary. Hence it may range from 0% to 200%, where 0% corresponds to the minimum target achievement, short of which the corresponding portion of the variable compensation is zero, 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.

The performance measure criteria for Mr. Babeau are the same as the ones that apply to Mr. Tricoire and are presented in paragraph II.1.1.b). It should be stressed that the individual targets set by the Board of Directors in pursuance of the Strategic Plan are specific to each corporate officer.

II.2.2 Criteria for allocating benefits of any type (excluding additional benefits in accordance with the building up of a pension)

a) Performance shares

As part of the allocation of Plan nos. 28 (to come) and 29 (to come), the Board of Directors, in its February 15, 2017 meeting, adopted the policy of allocating to its Deputy CEO, Emmanuel Babeau, **7,800 performance shares** as part of the plan whose performance is measured over three years (2016–2018), and **18,200 performance shares** under Plan no. 29, whose performance is also measured over three years. The shares in Plan no. 28 (to come), reserved solely for the corporate officers, are further subject to a one-year holding period.

Because these plans are identical to those for which Mr. Tricoire is eligible, please refer to paragraph II.1.2.a) for a detailed discussion of the criteria and valuations of these plans.

According to the methodology prescribed by the AFEP-MEDEF Code (see **Table 1** above), the benefits in kind to be reported for a fiscal year cover the performance shares granted during this same fiscal year, the performance period of which, by definition, has not elapsed. The total value will be known after the Board of Directors' meeting in March 2017 and shall correspond to the total number of shares granted, before discount on account of performance, multiplied by the unit value of the share as determined by expert actuaries in accordance with IFRS2 standards.

The effect of extending in 2016 the performance measure period from two to three years is that no plan is posted in **Table 2** above, which shows the plans whose rate of achievement of the performance conditions has been recorded.

b) Other benefits of any type allocated to Mr. Babeau in his capacity of Deputy CEO

- Mr. Babeau is eligible to the profit sharing. For information, this amount was €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 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 whose value has been appraised at €13,197 in 2016.

c) Additional benefits as part of the build-up of a pension

The Board of Directors upheld the principles and amounts as defined in its decision of February 18, 2015, to determine additional payments issued in order to take into account the fact that Mr. Babeau must take personal responsibility for building up his pension:

- a fixed amount of **€136,400**, and
- a variable amount of **€136,400**, 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.

Like Mr. Tricoire, Mr. Babeau has committed to depositing this additional payment, after taxes, into investment vehicles dedicated to financing his pension.

II.2.3 Components of the status subject to the approval of the Shareholders’ Meeting in accordance with regulatory agreements

The benefits described above were granted to Mr. Babeau when he was appointed Deputy CEO at the end of the April 25, 2013, Shareholders’ Meeting and have been approved by the shareholders at the relevant Shareholders’ Meetings, the last one being the 2015 AGM on April 25, 2015.

a) Involuntary termination benefit

Mr. Babeau is eligible to involuntary termination benefits in the event of a change of control or strategy. The principle, terms of payment and calculation methods are identical to those agreed to for Mr. Tricoire and are outlined in paragraph II.1.3.a) above.

b) Non-compete benefit

A non-compete agreement has been established with Mr. Babeau stipulating the payment of a benefit whose principles, terms of payment and calculation methods in case of dismissal are identical to those agreed to for Mr. Tricoire and are outlined in paragraph II.1.3.b) above.

c) Right to hold on shares and options

Mr. Babeau is entitled to the right to hold on free and performance shares and stock-options that would have been granted to him, under the same conditions as Mr. Tricoire (see paragraph II.1.3.c) above)

d) Medical insurance and welfare plan

As a corporate officer, Mr. Babeau is eligible to the same rights and benefits regarding the medical insurance and welfare plan granted to Mr. Tricoire and outlined in paragraph II.1.3.d) above.