

Information about the compensation of executive directors

Pursuant to AFEP/MEDEF code

On the report of the Governance and Remunerations Committee, the board of directors of February 18, 2015 approved the compensation components of Mr. Jean-Pascal Tricoire, Chairman and CEO, and Mr. Emmanuel Babeau, Deputy CEO, in charge of Finance and Legal Affairs, in their absence.

The board has thus:

- Approved the authorized variable part of their compensation for 2014,
- Amended the executive directors' status (removal of the benefit from the defined benefit top hat plan 'article 39'),
- Approved the fixed part of their compensation for 2015,
- Set the criteria and objectives of the variable part of their compensation for 2015,
- Authorized a complementary remuneration to enable the executive directors to build up a supplementary pension, knowing that the board of directors decided to remove the benefit of the supplementary pension scheme article 39 for the executive directors,
- Approved the principle of allocating performance shares under the 2015 long-term incentive plan.

I – Variable part for 2014

- The variable part for Mr. Jean-Pascal Tricoire amounts to EUR 1,500,000, or 157.9% of the fixed part, which was EUR 950,000 in 2014.
- The variable part for Mr. Emmanuel Babeau amounts to EUR 726,000, or 132% of the fixed part, which was EUR 550,000 in 2014.

II – Related-party agreements regarding executive directors

The board of directors noted that, regarding defined benefit supplementary pension plans (article 39) or top hat plans, the cost of these regimes being extremely high, due to French legislator's willingness to significantly increase financing costs in order to dissuade their implementation and to foster their removal.

As a consequence, the board of directors has decided to remove the benefit of top hat plans (article 39) for executive directors. For other French top executives of the Group who benefit from this

regime, it has asked the Group's general management to further study possible options for reform or removal.

This decision to end benefit of top hat plans for executive directors will result in a provision release of EUR 17 million in Schneider Electric's 2015 consolidated accounts.

However, top hat plans included life & disability provisions in case of disability or death before retirement age. Therefore, the board of directors has decided to maintain such benefits, all things being equal. As a consequence, the board has decided:

- In case of death of the executive director before retirement, or if such executive director has left the company, in case of disability or termination of his mandate after the age of 55 without pursuing any professional activity, the surviving spouse will be entitled to a pension annuity ("*pension de réversion*") equal to 60% of 25% of the average compensation paid during the last three years prior to death, after deducting the theoretical pension that might be obtained, taking into account any complementary remuneration paid;
- In case of disability of the executive director, leading to ending any professional activity, he will be entitled to a pension, with a reversion for surviving spouse at 60%, from retirement age equal to 25% of the average compensation paid during the last three years preceding disability, reduced by 1.25% per missing quarter to get a full pension and after deducting the theoretical pension that might be obtained, taking into account any complementary remuneration paid.

Besides, Mr. Emmanuel Babeau who benefitted from the defined benefit top hat plan (article 39) pursuant to his employment contract has resigned from such employment contract in order to enforce the board's decision to remove the benefit of this advantage to executive directors in his respect.

Therefore, the board of directors decides to reinstate other elements of his status (Life & disability, forced departure indemnity, non compete indemnities) resulting from his employment contract with Schneider Electric Industries SAS ("*SEI SAS*"), that were previously borne by SEI SAS, as being as of the date hereof borne by Schneider Electric SE, subject to certain adjustments mentioned hereafter.

The board of directors has decided that Mr. Emmanuel Babeau:

- 1°)** who benefits from the health, incapacity, disability and death coverage available to employees of Schneider Electric SE, is entitled to the complementary health, incapacity, disability and death coverage for Group's French senior executives and benefits from an annuity for the surviving spouse in case of death and a disability pension, as set forth above, if such risks were to occur before retirement. It is stated that the computation basis for such life & disability indemnities will be his global compensation (fixed, variable and annual complementary remuneration). These rights and life & disability indemnities and complementary coverage are subject to achievement of either of the two following performance conditions: (i) the average net profit for the last five financial years preceding the event is positive or, (ii) the average free cash flow for the last five years is positive.

2°) benefits from involuntary severance pay capped, taking into account the compensation provided for in the non-compete agreement described below, at twice the average of the effective annual compensation (fixed and variable) for the last three years (hereafter the “Maximum Amount”).

The right to involuntary severance pay is recognized in the following cases:

- (i)** Dismissal, non-renewal or resignation as Deputy CEO in the 6-month period following a material change in Schneider Electric’s shareholding structure that could change the membership of the board of directors;
- (ii)** Dismissal, non-renewal or resignation as Deputy CEO in the event of a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in the shareholding structure as described above;
- (iii)** Dismissal, non-renewal or requested resignation as Deputy CEO when, on average, two-third of the Group performance criteria, that determine the variable part of his remuneration, has been achieved for the last four financial years from the day of his departure. This latter case corresponds to a presumption of forced departure resulting from a change of strategy.

Besides, the involuntary severance pay is subject to performance conditions. It is indeed subject to, and its amount depends on, the average rate of achievement of the Group’s performance criteria of the last three financial years preceding the date of the board meeting at which the decision is made.

Thus, if Group Criteria are:

- Less than two-thirds achieved: no compensation will be paid;
- Two-thirds achieved: he will receive 75% of the Maximum Amount;
- At least 100% achieved: he will receive 100% of the Maximum Amount;
- Between 66% and 100% achieved: he will receive between 75% and 100% of the Maximum Amount calculated on a straight-line basis according to the rate of achievement;

Mr. Babeau’s status also provides that the Involuntary Severance Pay will not be due if dismissal or requested resignation is the result of a wrongful or gross misconduct.

3°) is subject to a non-compete agreement, being specified that the non compete commitment between Mr. Babeau and the company is limited to one year and is compensated up to a maximum amount of 60% of the authorized target compensation. The board of directors will have to decide on whether or not to apply the non compete clause upon his departure, unless such departure results from a voluntary resignation (except in case of forced departure) and provided that Mr. Babeau:

- Met the performance conditions required for involuntary severance pay;
- Does not, or will not, have rights to or is not, or will not, be eligible to cumulate non compete compensation and pension payments.

In all other cases (forced departure, resignation that does not fulfill above conditions,...), the board of directors will have to decide, within 8 days of Mr. Babeau's departure, on whether the non compete clause applies.

The board of directors has decided to submit to the shareholders' general meeting convened on April 21, 2015, for approval, the loss of top hat plan for Mr. Tricoire and the renewal of Mr. Babeau's status without the benefit of the top hat plan.

III – Compensation for 2015

- The authorized Group compensation of Mr. Jean-Pascal Tricoire consists of:
 - (i) A fixed part of EUR 950,000,
 - (ii) A variable part, which can range between 0% and 260% of the fixed part with a target rate of 130% of the fixed part;
 - (iii) A complementary remuneration to account for the fact that Mr. Tricoire will from now on be personally responsible for building up his supplementary retirement. This complementary remuneration has two components:
 - An annual component, with a fixed part of 182 K€ and a variable part which can range between 0% and 260% of the fixed part with a target rate of 130% of the fixed part, to be paid for the 2015 financial year;
 - An exceptional component structured as a one-off lump sum payment in order for Mr. Tricoire to start building up his supplementary retirement. This authorized exceptional compensation amounts to EUR 2.15 million and 39,000 free shares whose vesting is scheduled over the period from February 2017 to February 2019 with a holding period until 2020 (plans 19 and 20). IFRS value of these shares is EUR 2.15 million.
- It is specified that Mr. Tricoire has committed to invest the cash part of this complementary remuneration, net of taxes, on investment vehicles dedicated to the financing of his supplementary retirement.

- The authorized Group compensation of Mr. Babeau consists of:
 - (iv) A fixed part of EUR 550,000,
 - (v) A variable part, which can range between 0% and 200% of the fixed part with a target rate of 100% of the fixed part;
 - (vi) A complementary remuneration to account for the fact that Mr. Babeau will from now on be personally responsible for building up his supplementary retirement. This complementary remuneration has two components:
 - An annual component, with a fixed part of 124 K€ and a variable part which can range between 0% and 200% of the fixed part with a target rate of 100% of the fixed part, to be paid for the 2015 financial year;
 - An exceptional component structured as a one-off lump sum payment in order for Mr. Babeau to start building up his supplementary retirement. This authorized exceptional compensation amounts to EUR 870,000 and 7,750 free shares whose vesting is scheduled over the period from February 2017 to February 2018 with a

holding period until 2020 (plans 19 and 20). IFRS value of these shares is EUR 430,000.

It is specified that Mr. Babeau has committed to invest the cash part of this complementary remuneration, net of taxes, on investment vehicles dedicated to the financing of his supplementary retirement.

The board of directors defined the structure of the variable part for 2015 as well as the weighting of each of the criteria for Mr. Tricoire and Mr. Babeau as follows:

1) Group criteria for 75% , including:

- For 45%, a Group economic criteria component. These criteria include targets for organic growth in revenue, adjusted EBITA and cash generation;
- For 30%, a criteria component in line with the company program Schneider is On and on social and environmental responsibility, evaluated notably through evolution trends in the Planet & Society barometer.

2) Individual objectives for 25%: these objectives remain confidential as they might bring strategic information to competition.

The board of directors approved the principle of an allocation of performance shares under the long-term incentive plan for 2015, which will be implemented by the board of directors of March 27, 2015:

Jean-Pascal Tricoire:	18,000 performance shares in the framework of plan 21 (to come).
	42,000 performance shares in the framework of plan 22 (to come).
Emmanuel Babeau:	7,800 performance shares in the framework of plan 21 (to come).
	18,200 performance shares in the framework of plan 22 (to come).

The vesting of such performance shares is conditional upon:

- For 70%, a target operating margin of Adjusted EBITA for the period 2015/2016,
- For 15%, a level of achievement of the Planet & Society Barometer at the end of 2016,
- For 15%, a level of achievement of the ROCE for the period 2015/2016.