

Information on the compensation of Corporate Officers - 2018

In accordance with the AFEP-MEDEF Code

At its meeting of February 13th, 2019, after examining the suitability and fairness of the outcome of the 2018 compensation policy for the Corporate Officers and its alignment with the Group's performance, upon hearing the report from the Governance and remunerations committee, the board set the Corporate Officers' compensation for 2018 in accordance with the principles and criteria prior approved by the shareholders.

The following tables summarize the compensation and benefits due or granted to Messrs. Tricoire and Babeau for the financial years 2017 and 2018, presented in accordance with AFEP/MEDEF recommendations (Reported basis) and on Realized basis, i.e. where performance metrics assessment have ended in the reported financial year:

Jean-Pascal Tricoire Chairman & Chief Executive Officer <i>Euro</i>	Reported Compensation & Benefits		Realized Compensation & Benefits	
	Compensation due for financial year		Compensation realised in financial year	
	2018	2017	2018	2017
A- CASH COMPENSATION				
Base salary	1,000,000	950,000	1,000,000	950,000
Annual incentive	1,489,800	1,882,140	1,489,800	1,882,140
Attendance fees	0	0	0	0
SUBTOTAL (A) CASH	2,489,800	2,832,140	2,489,800	2,832,140
B- BENEFITS OF ALL KIND				
Valuation of performance shares	3,281,280 ⁽¹⁾	3,219,240 ⁽¹⁾	3,277,254 ⁽²⁾	N/A ⁽³⁾
Fringe benefit (car)	11,772	13,089	11,772	13,089
SUBTOTAL (B) BENEFITS OF ALL KIND	3,293,052	3,232,329	3,289,026	13,089
C- PENSION CASH BENEFIT				
Complementary payment for pension building (fixed)	191,600	182,000	191,600	182,000
Complementary payment for pension building (variable)	285,446	360,578	285,446	360,578
SUBTOTAL (C) PENSION CASH BENEFIT	477,046	542,578	477,046	542,578
TOTAL COMPENSATION & BENEFITS (A)+(B)+(C)	6,259,898	6,607,047	6,255,872	3,387,807

Emmanuel Babeau Deputy Chief Executive Officer <i>Euro</i>	Reported Compensation & Benefits		Realized Compensation & Benefits	
	Compensation due for financial year		Compensation realised in financial year	
	2018	2017	2018	2017
A- CASH COMPENSATION				
Base salary	680,000	605,000	680,000	605,000
Annual incentive	779,280	922,020	779,280	922,020
Attendance fees	0	0	0	0
SUBTOTAL (A) CASH	1,459,280	1,527,020	1,459,280	1,527,020
B- BENEFITS OF ALL KIND				
Valuation of performance shares	1,421,888 ⁽¹⁾	1,395,000 ⁽¹⁾	1,420,118 ⁽²⁾	N/A ⁽³⁾
Fringe benefit (car)	8,598	12,330	8,598	12,330
SUBTOTAL (B) BENEFITS OF ALL KIND	1,430,486	1,407,330	1,428,716	12,330
C- PENSION CASH BENEFIT				
Complementary payment for pension building (fixed)	153,300	136,400	153,300	136,400
Complementary payment for pension building (variable)	175,682	207,873	175,682	207,873
SUBTOTAL (C) PENSION CASH BENEFIT	328,982	344,273	328,982	344,273
TOTAL COMPENSATION & BENEFITS (A)+(B)+(C)	3,218,748	3,278,623	3,216,978	1,883,623

- (1) **Value of performance shares granted during financial year** – as per AFEP/MEDEF Code methodology, compensation is presented on a reported basis (compensation granted). Benefits of all kind for the financial year include performance shares granted during the financial year, the performance period of which has not elapsed. The value of performance shares corresponds to the number of shares granted, before reduction on account of performance, multiplied by the share price determined in line with IFRS 2 accounting standards.
- (2) **Value of performance shares deemed vested during the financial year** - In order to facilitate the analyses, the benefits of all kind are also presented on realized value, where the value of performance shares corresponds to the actual number of shares (granted in previous years) deemed vested at the end of the financial year, after reduction for performance conditions, multiplied by the share price on December 31, 2018.
- (3) Following the extension of the LTIP performance period from two to three years from 2016, there was no realized value in 2017 as no shares vested in 2017.

Base salary

In conformity with the 2018 Compensation policy approved by the shareholders, Mr. Tricoire's salary was increased by 5% from €950,000 to €1,000,000 and Mr. Babeau's salary was increased by 12% from €605,000 to €680,000. Mr. Tricoire had not received a salary increase since 2013.

Annual incentive

The annual incentive was set in compliance with the principles and criteria approved at the shareholders' meeting of April 24, 2018.

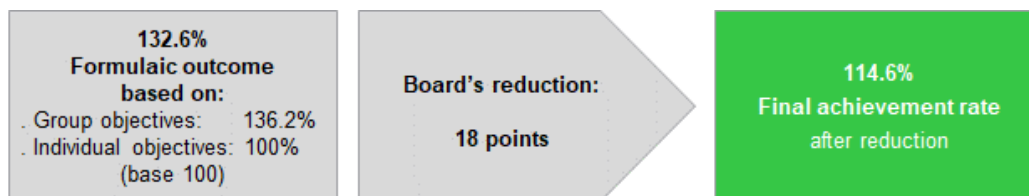
For Mr. Tricoire, the annual incentive at target amounts to 130% of the base salary and may vary from 0 to 260% depending on achievement of objectives. For Mr. Babeau, the annual incentive at target amounts to 100% of the base salary and may vary from 0 to 200% depending on achievement of objectives.

At its meeting held on February 13, 2019, the board of directors set the achievement rate of performance criteria at 114.6% on a base 100, representing for Mr. Tricoire an annual incentive of 149% of the base salary and for Mr. Babeau of an annual incentive of 114.6% of his base salary. These annual cash incentives will be paid after the annual shareholders' meeting if the latter approves it.

As a result, the 2018 Annual Incentive pay-out for the Corporate Officers stands as follows:

Corporate Officer	as % of salary	Target Payout	Achievement rate	2018 Actual Payout	
		Amount (€)	as % of target	as % of salary	Amount (€)
Jean-Pascal Tricoire	130%	€1,300,000	114.6%	149%	€1,489,800
Emmanuel Babeau	100%	€680,000	114.6%	114.6%	€779,280

The board of directors noted that in pursuance of the application of the formula approved by the shareholders, the achievement rate on the Group criteria – which represent 90% of the annual incentive at target - was 136.2% on base 100. Given the perspectives communicated to the market and the business environment in 2018, the board of directors, upon recommendation from the Governance and remunerations committee, decided to apply a reduction of 20 points on this outcome before adding the portion set for individual assessment of the Corporate Officer's performance, set at 100%, i.e. a reduction of 18 points on the total:



The achievement rates for each of the criteria as well as the motivation of the board's deliberation on the reduction will be detailed and commented in the compensation section of the Corporate Governance Report.

In compliance with article L.225-100 of the French Commercial Code, the payment of this annual incentive is subject to approval by the shareholders of the compensation granted to the Corporate Officers for the financial year 2018 (cf. 5th and 6th resolutions submitted to the Shareholders' Meeting of April 25, 2019).

Performance shares (Long-term Incentive Plan)

- **2018 - 2020 Long-term Incentive Plan**

Under the 2018 Compensation policy approved by the shareholders, the Chairman and CEO Mr. Tricoire was granted 60,000 shares and the Deputy CEO Mr. Babeau was granted 26,000 shares.

Shares granted are subject to a performance period of three years with an additional mandatory one year holding period for 30% of shares granted to the Corporate Officers in consideration for their corporate office with Schneider Electric SE.

For performance at threshold, 0% of the award will vest. For maximum performance, 100% will vest. Vesting will operate on a straight-line basis between these points.

100% of the performance shares granted to the Chairman and CEO Mr. Tricoire and to the Deputy CEO Mr. Babeau, are subject to performance criteria measured over a period of 3 years:

- ◆ 40% of the shares are contingent on the level of achievement of an adjusted EBITA operating margin objective for 2018 to 2020 FY;
- ◆ 25% of the shares are conditional on Group Cash conversion rate for 2018 to 2020 FY;
- ◆ 20% of the shares are contingent on the average of the performance rate of the new Schneider Sustainability Impact (2018-2020);
- ◆ 15% of the shares are conditional to Total Shareholder Return (TSR) objectives between 2018 and 2020. The TSR objective is set based on Schneider Electric's TSR ranking vs. the following panel of companies: ABB, Legrand, Siemens, Eaton, Emerson, Honeywell, Johnson Controls, Rockwell Automation, Fuji Electric, Mitsubishi Electric and Yokogawa.

The IFRS value of the performance shares granted in the relevant year is calculated by multiplying the number of shares granted by IFRS share price which is calculated by external actuaries applying IFRS 2 accounting standards.

- **2016 - 2018 Long-term Incentive Plan – Realized value in 2018**

The performance period for shares granted in 2016 has finished on December 31, 2018 and shares under the plans 25 and 26 are therefore deemed vested. Their final acquisition is however still subject to the satisfaction of the presence condition at the delivery date.

At its meeting of February 13, 2019, the board assessed the achievement rate of performance criteria for Plans 25 and 26 granted in 2016 based on the Group's performance over the three-year period 2016 - 2018 and set the final rate of achievement at 91.46%, i.e., a reduction of 8.54% in relation to the number of shares originally granted.

Mr. Tricoire and Mr. Babeau had been granted conditionally 18,000 shares and 7,800 shares under Plan no.25 and 42,000 shares and 18,200 shares under Plan no.26 respectively. After applying the reduction for performance not achieved, the resulting outcomes are as follows:

	Number of Shares (Plan No. 25) ⁽¹⁾	Number of Shares (Plan No. 26) ⁽²⁾	Number of shares deemed vested	No of shares lapsed	Value of shares deemed vested ⁽³⁾
Corporate Officer					
Jean-Pascal Tricoire	18,000	42,000	54,877	5,123	3,277,254
Emmanuel Babeau	7,800	18,200	23,780	2,220	1,420,118
Delivery date	March 27, 2019	March 27, 2020			

⁽¹⁾ Plan 25 - performance shares granted under this plan to Corporate Officers are subject to two years holding period following vesting, therefore shares will only become available on March 27, 2021.

⁽²⁾ Plan 26 has an addition vesting period of one year following the performance period of 3 years which finished on December 31, 2018 and therefore shares reduced for performance will be delivered in March 2021 without any further restrictions.

⁽³⁾ The share price used to value vested shares is a closing share price on 31 December 2018.

The achievement rates for each of the criteria will be detailed and commented in the compensation section of the Corporate Governance Report.

Pension

The Corporate Officers have to build their own pension and to this end, are granted a combination of fixed and variable payments that are considered "other benefits" to ensure consistency and comparability with other French or international companies. The variable payment is aligned with the annual incentive in terms of criteria and payout rate. The Corporate Officers have committed to depositing these additional payments, after taxes, into investment vehicles dedicated to the supplementary financing of their pensions.

For 2018 Messrs. Tricoire and Babeau are entitled to receive:

Corporate Officer	Fixed Amount	Variable Amount ⁽¹⁾
Jean-Pascal Tricoire	€191,600	€285,446
Emmanuel Babeau	€153,300	€175,682

⁽¹⁾ Calculated by applying to the fixed compensation above the percentage of target achievement determined for the calculation of the annual variable compensation.

In compliance with applicable law, the payment of the variable amount will be subject to shareholders' approval.

Other benefits of all kind**Employer Matching Contributions and Profit-Sharing**

For the financial year 2018, both Corporate Officers were eligible for profit-sharing and the employer matching contribution paid to subscribers to the capital increase reserved for employees, as well as the employer matching contribution paid to subscribers to the collective pension fund (PERCO) for the retirement of workers in France.

Corporate Officer	Employer matching contribution to capital Increase for Employees	Employer matching contributions to collective Pension Saving Plan (PERCO)	Profit-sharing	Total
Jean-Pascal Tricoire	€1,404	€800	€8,815	€11,019
Emmanuel Babeau	€1,404	€0	€8,815	€10,219

Company Car

The use of a company car in 2018 granted to each of Messrs. Tricoire and Babeau represented an equivalent cost of EUR11,772 and EUR8,598 respectively.

Amendments to the principles and criteria for determining the Corporate Officers' compensation and benefits for 2019

The Governance and remunerations committee has reassessed the adequacy of the compensation criteria in the light of the compensation pillars, namely, Pay-for-Performance, Alignment with Shareholders' Interests, and Competitiveness, taking into account, *inter alia*, the shareholders' concerns expressed in 2018 at the general meeting and during the shareholder engagement carried out all through the year 2018.

Relying on the works and recommendations of the Governance and remunerations committee, the Board, at its meeting of February 13th, 2019, decided that the overall compensation structure of the Corporate Officers should remain largely the same as in 2018 as it serves the pay-for-performance approach and the alignment with the shareholders' interest, subject however to fundamental changes in the compensation criteria and weightings, presented below.

Compensation Element	Overview of the decisions
Base Salary	<ul style="list-style-type: none"> ◆ Based on the Committee's recommendation, the board decided that the Corporate Officers' salaries should remain unchanged in 2019: <ul style="list-style-type: none"> - Jean-Pascal Tricoire: €1,000,000 - Emmanuel Babeau: €680,000
Annual Cash Incentive	<ul style="list-style-type: none"> ◆ The number of performance criteria is reduced from 8 to 4, with 80% Financial and 20% Sustainability based criteria. ◆ The portion based on individual assessment of the board (formerly, 10% of the total Annual Incentive at target) is removed. ◆ Targets will be made more stringent: the maximum annual incentive will only be earned where a strong performance is delivered on each performance metric.
Performance shares (Long-Term Incentive Plan)	<ul style="list-style-type: none"> ◆ The maximum number of shares to be granted to both Corporate Officers will be maintained at the same level as in 2018: <ul style="list-style-type: none"> - Jean-Pascal Tricoire: 60,000 shares - Emmanuel Babeau: 26,000 shares ◆ A more demanding TSR payout scale is introduced, starting 2019: <ul style="list-style-type: none"> - Overcompensation only for exceptional performance; - No pay-out at or below rank 8; - Automatic 3% adjustment rule (i.e. if results are closely clustered) replaced by board judgment. ◆ A more stringent approach to targets setting – 100% of award can only be earned for stretching performance: notably, in relation to the Adjusted EBITA criterion, only 70% of award will be earned for achieving targets aligned with the objectives communicated to the market (vs 100% till now).

Compensation Element	Overview of the decisions
	<ul style="list-style-type: none"> ◆ From 2020 onwards, there will be further changes to the Long-term Incentive Plan, including: <ul style="list-style-type: none"> - number of performance criteria to be reduced from 4 to 3, along with the removal of duplicate performance criteria between the annual and long-term incentives; - EPS to be introduced as performance criterion; - TSR peer group to also include CAC40 companies in addition to the current peer group; - new relative and external Sustainability criteria to be introduced, which will focus on Schneider sustainability progress as assessed by widely recognized indices that are demanding, public and independent.
Discretionary Awards	<ul style="list-style-type: none"> ◆ Maintained the prohibition of one-off payments that are not provided for in the compensation policy approved by the shareholders.
Other benefits forming part of the status of the Corporate Officers	<ul style="list-style-type: none"> ◆ The regulated agreements approved by the shareholders at the Shareholders Meeting of April 24, 2018, remain unchanged.

The new principles and criteria for determining, allocating and granting the elements of the compensation and benefits of all kind that may be granted to the Corporate Officers, will be submitted to the shareholders for approval at the next shareholders' meeting of April 25, 2019 (7th and 8th resolutions).